AUG. 4
1934

BUSINESS WEEK

BUSINESS INDICATOR

International

DROUGHT, DUST, DEATH—The Great Drought grows to a national disaster. Here, half-starved cattle are evacuated from a stricken area.

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LET'S LOOK AT THE RECORD

WHAT DOES PLYMOUTH'S TREMENDOUS GROWTH MEAN TO BUSINESS EXECUTIVES?

IF YOU EXAMINE the figures on the right . . . the figures in that newspaper clipping . . . you can't miss one big fact.

PLYMOUTH IS GOING PLACES.

It has grown in popularity faster than any car ever built. More Plymouth cars are being built today than ever before in Plymouth history. It is the only low-priced car that can claim such a record.

But it isn't the figures tnemselves that are important to you. It's what they mean.

A car doesn't shoot ahead like that in difficult times unless it has something really exceptional to offer.

And Plymouth *does* have something exceptional to offer to everyone who is concerned with buying one car for personal use . . . or a fleet of cars for business use.

What has sold Plymouth . . . and kept on selling it in increasing numbers . . . is the extra VALUE that it gives.

Hundreds of business concerns have bought Plymouth for their salesmen because it is the *only* low-priced car with Hydraulic Brakes plus an All-Steel Body. Many others have bought it because it is the only one with Individual (knee-type) Springs plus Floating Power engine mountings.

These extra features are vitally important to every man who drives a car in his work. They assure him the best protection on today's busy highways. They keep him absolutely comfortable, fully relaxed . . . fit and fresh for every new contact in spite of hard, constant driving between customer calls.

Its record in sales over the past five years clearly tells its rise and indicates its acceptance by the motoring public:—

Year.	Cars Sold.
1929	84,962
1930	64,305
1931	94,276
1932	111,926
1933	249,667

Of all low-priced cars produced in 1928, Plymouth sold less than one out of fifty; last year the picture had changed—Plymouth sold one out of every five.

In the first six months of 1934, Plymouth shipped 235,215 cars which is a new all-time record.

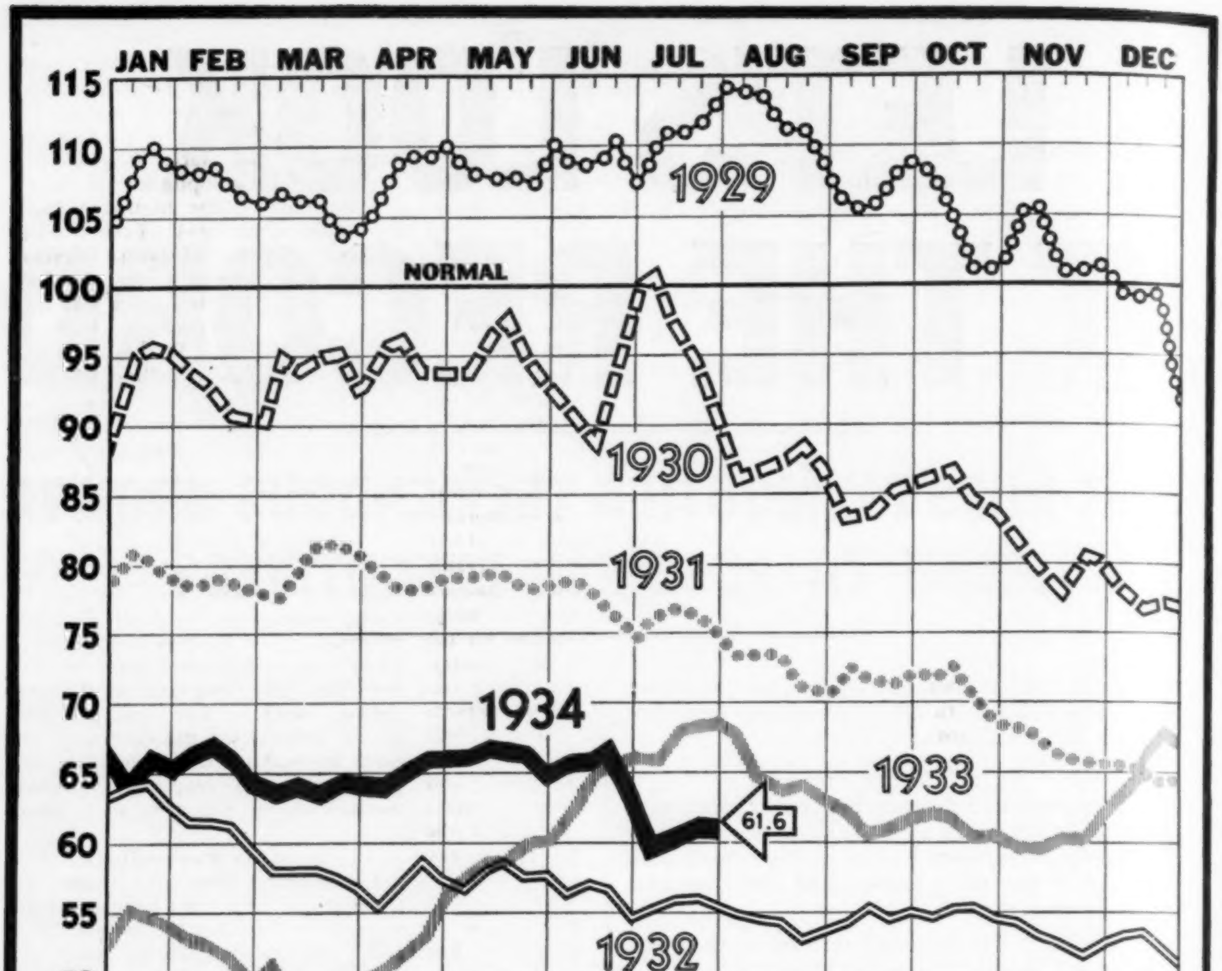
You might expect that, with these extra features, Plymouth would cost more. But it doesn't. All three cars in the lowest-price field actually cost about the same.

That's why we suggest, as a matter of sound business practice, that you "Look at All Three" . . . that you COMPARE BEFORE YOU BUY. Any Dodge, De Soto or Chrysler dealer will give you all the facts about Plymouth.

Prices as low as $485 for Standard Plymouth. Plymouth Special Six $560 up. De Luxe Plymouth from $595. All prices f. o. b. factory, Detroit, subject to change without notice.

PLYMOUTH $485 AND UP F. O. B. FACTORY DETROIT

SOLD BY DODGE, DE SOTO AND CHRYSLER DEALERS



BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY

	Latest Week	Preceding Week	Year Ago	Average 1929-33
	*61.6	†61.7	68.8	81.0
PRODUCTION				
★ Steel Ingot Operation (% of capacity)	26.1	27.7	55	51
★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis)	$5,554	$5,162	$3,456	$13,281
★ Bituminous Coal (daily average 1,000 tons)	*982	†989	1,203	1,193
★ Electric Power (millions K.W.H.)	1,684	1,664	1,662	1,632
TRADE				
Total Carloadings (daily average, 1,000 cars)	102	100	109	131
★ Miscellaneous & L.C.L. Carloadings (daily average 1,000 cars)	64	64	68	84
★ Check Payments (outside N. Y. City, millions)	$3,011	$3,511	$3,275	$4,222
★ Money in Circulation (daily average, millions)	$5,310	$5,342	$5,332	$5,007
PRICES (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$1.00	$.99	$.90	$.78
Cotton (middling, New York, lb.)	$.131	$.130	$.105	$.114
Iron and Steel (STEEL, composite, ton)	$34.19	$34.19	$30.02	$32.06
Copper (electrolytic, f.o.b. refinery, lb.)	$.088	$.088	$.088	$.100
All Commodities (Fisher's Index, 1926 = 100)	77.8	78.1	69.6	76.5
FINANCE				
Federal Reserve Credit Outstanding (daily average, millions)	$2,461	$2,467	$2,204	$1,571
Loans and Investments, Federal Reserve rep't'g member banks (millions)	$17,728	$17,757	$16,662	......
★ Commercial Loans, Federal Reserve reporting member banks (millions)	$4,445	$4,439	$4,772	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,493	$3,522	$3,789	......
Brokers' Loans, N. Y. Federal Reserve rep't'g member banks (millions)	$1,006	$1,031	$894	$2,355
Stock Prices (average 100 stocks, Herald Tribune)	$94.68	$97.59	$99.37	$131.87
Bond Prices (Dow, Jones, average 40 bonds)	$93.55	$95.12	$88.13	$89.56
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	1%	2.8%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	¾-1%	¾-1%	1½%	3.0%
Business Failures (Dun and Bradstreet, number)	215	234	352	465

* Preliminary †Revised ★Factor in *Business Week* Index

The Business Outlook

NO marked changes are apparent in the business situation this week, though the heat seems to have done as effective a job in wilting trade confidence as farm crops. The steel industry is quiescent, awaiting the time when its customers have digested the purchases of the second quarter. Motor plants are drawing closer to the period of new model changes, and have consequently begun to taper output a bit. August furniture and fur sales are getting a slow start, but it is too early to size up the final prospects. The threat of price advances on manufactured commodities is not at hand this summer to stimulate advance buying as was the case last year. In fact, there seems to be scattered evidence that consumers will find prices more to their liking this autumn. Shoes, for one thing, are under consideration for price cuts following the abnormal slaughtering of farm animals in the past 6 months.

Production Activity Down

Productive activity as measured by the well known index of the Federal Reserve Board turned downward in June for the first time since the upswing started last December. Reaching a peak in May of 86% of the 1923-1925 average, seasonally adjusted, the index slid down to 84% in June. The decline was due chiefly to the curtailment policy of textile plants, which continued in July and into the current month. A further decline is looked for in July when the steel industry will add its weight to the downward trend.

Earnings Reports Encouraging

To offset the pessimism which the slightest decline in business indicators invariably instills, it is well to examine second quarter earnings now coming to light. Though exceptional gains are apparent, in spite of wage and material increases, these statements are receiving surprisingly little publicity. U. S. Steel turned the $7-million loss of the first quarter into a $5.4-million profit in the second quarter, enough to make some payment on preferred stock for the first time since the third quarter of 1931. General Motors earned $40.3 millions in the quarter just ended compared with $29.3 millions in the first quarter of 1934. *Business Week's* compilation of second quarter earnings of 30 leading companies shows a 43% gain over the first quarter of 1934, a 66% gain over the second quarter of 1933.

Refrigerator Sales Hold Up

With a lull in demand from automobile makers, the steel industry is leaning heavily on its miscellaneous steel consumers. Fortunately, refrigerator makers are capitalizing on the unusual summer heat and are making special drives to roll up another record year. With the government lending encouragement to the development of low cost electrical equipment, another incentive to sales is added. A refrigerator plant in Pennsylvania and in Ohio is booked for the balance of the year. June shipments of washing machines were the largest for the month in the history of the industry, making the 6-month total also a record breaker. Iron and steel exports more than doubled in the first half of 1934 compared with the same period of 1933. New orders and shipments of steel business furniture practically doubled the totals of the first 6 months of 1933; even ran ahead of the same period of 1932.

Steel Modernization Plans

Notwithstanding the current low operating rate in the steel industry, plans are going forward for extensive remodeling and modernizing of plants. A $20-million improvement of northeastern Ohio plants started early this year is now well under way. The most significant comment of a leading executive of U. S. Steel this week was the admission that mills had been permitted to deteriorate during the depression to the point where extensive alterations would be required if production costs were to be held in check.

Automobile Sales

Automobile registrations of passenger cars in June may run slightly ahead of May, according to the latest reports, while truck sales are likely to drop a bit. July sales were probably affected by strikes in various localities, though expectations are that the country as a whole will roll up a total close to the June estimate of 220,000 passenger cars. San Francisco sales made a sharp comeback after the general strike ended.

Construction Volume Good

Construction contracts awarded in the 37 states covered by F. W. Dodge made a less favorable showing in the third week of July than in the first half of the month. However, since the 3-week total is well ahead of both June and a year ago, the construction record of the past month constitutes one of the bright spots of the business panorama. In fact, *Engineering News-Record's* compilation of heavy projects reached the highest volume since November, 1933. Even making allowance for the substantial increase in building material prices, the July awards were 97% ahead of a year ago. Public funds supplied the bulk of business, however. Private construction is lagging 20% behind last year to date. Lumber orders increased in nearly all regions in the last week of July, as boats on the West Coast again became available. June cement production was at the seasonal crest.

Electric Power Strong

Electric power production is now widening the spread over last year by rising close to the peak of the June 30 week. West Central and Southern states sharply increased their margins over last year compared to the preceding week. The exceptionally strong behavior of the electric power curve has puzzled trade observers this year, since the customary seasonal summer slump failed to materialize.

Invisible Carloadings

Carloadings have not quite recovered to the pre-holiday level though they are headed in that direction. During the July 21 week, the increase was due chiefly to gains in grain, livestock and coal loadings. L.c.l. shipments gained more modestly.

First evidence of effective increase in operating efficiency in loading freight cars, particularly less than carlot freight, comes from the Pennsylvania Railroad, which reports that it has increased the average car load from 6,600 tons to 10,000 tons. It recently discovered that it was carrying 46% more business in 5% fewer cars than at the close of last year. If such changes are experienced by other roads, our current estimates of trade volume represented by shipments of l.c.l. freight will understate the true situation in comparison with previous years. Estimates of freight lost to motor transport may also be overstated.

Rail Income Off

Despite larger freight shipments, net operating income of the railroads in June is likely to fall sharply below a year ago. The first 63 roads are 28% behind 1933 compared to a 4% lag in May when freight handled was also above a year ago. Increased expenditures for maintenance of way and equipment account for this.


WOMAN'S HOME
Companion
TEN CENTS
· ELEANOR HALLOWELL ABBOTT ·
E · PHILLIPS OPPENHEIM & ALVA JOHNSTON

Washington Bulletin

WASHINGTON *(By Business Week Staff Correspondents)*—For weeks past, New Dealers and kibitzers have been drifting to the Northwest to board the big train for President Roosevelt's transcontinental procession to the capital. The President's route will span the Northern drought-stricken region, the realistic stage for discussion of whether the Administration will continue AAA's curtailment policy. This is an outstanding issue of this year's political campaign.

The drought is pushing East with the President, spreading through the Midwest and into the Ohio valley this week. Every speech-making executive from Secretary Wallace down is trying to keep American farmers sold on AAA. Washington knows planned economy has received a serious blow.

Wallace, Tugwell, and Davis strive desperately to prevent fatal results for crop control. This is important at this time, because congressmen now running in primaries will decide next winter whether AAA is prolonged beyond its originally allotted span of two years.

THIS WEEK

What dry weather may do to AAA.

Drought, and that fall upturn of business.

Why there was no bunting on some buildings in Honolulu.

Economy and the federal payroll.

Drought and Fall Business

From the standpoint of its effect on the nervously awaited fall upturn in business, the drought is not as fearsome as it looks. A situation of this sort always looks worse at its peak than when it is past, so the Administration's farm economists are probably right in saying the total effect will not be as bad as expected. Predicting that purchasing power of agriculture will not be severely curtailed by drought, they contend that the loss in consumptive power suffered by drought-stricken farmers will be largely offset by increased prices in other sections and that government spending for farmers will do the rest.

Cutting Down the Herds

Slaughter of 5 million to 10 million head of cattle paid for by AAA plus somewhat reduced normal commercial slaughter will bring herds down from 67 million as of Jan. 1 last to about 56 million, the 1928 level. Stocks will be relatively short, but there will be no scarcity. Because of the poor condition of animals, prime beef will sell at a premium. People who must have choice cuts will have to pay dear from the middle of this winter until the middle of next, but there will be plenty of pot roasts.

Reduction in the corn crop averages between 2% and 4%, ranging up to 25% in primary drought states. No real shortage is expected to be disclosed in a feed crop survey by the Department of Agriculture about the middle of the month.

Effects on Exports

Optimists point out that the drought may have an extremely beneficial effect on export trade. First, because export surpluses will be cut and the credits usually spent by foreign countries for our wheat will be available for manufactured goods. Second, because if we are forced to import foodstuffs, new and unexpected credits will be piled up in Argentina, Australia, New Zealand, which will be available for automobiles, machinery, and other manufactured products which foreigners want but for which they cannot now get exchange with which to pay.

Secrecy Scares Business Men

Tariff secrecy surrounding the Cuban treaty negotiations terrifies business men. No one is allowed to know what commodities are being discussed by the State Department. This uncertainty causes business greater worry than any open threat of lower tariffs would occasion. The rest of the negotiations will be secret. Next countries on the program are Brazil, Colombia, and Central American countries growing coffee. Difficult problems like those of Argentina, Great Britain, Germany, Austria, Canada, and Russia have been put on the shelf temporarily. Argentina is out because it produces competitive products; Great Britain because she isn't particularly interested, wants to see how it works with other countries; Austria, needless to say, because there is some uncertainty as to whom to negotiate with. Russia waits on debt settlement, negotiations on which have been transferred to Washington.

Hawaiians Show Fight

Washington learns with some consternation that the Hawaiian sugar planters' association contemplates formal court test of the Jones-Costigan Sugar Control Act. Evidently the lack of bunting on the sugar companies' Hawaiian headquarters during the Roosevelt visit correctly represented the sweet men's sour sentiments. Even temporary success by the Hawaiians could completely upset the Cuban treaty plans.

Cotton Below Maximum

With accurate report in hand as to total acreage planted in cotton, and assuming an average yield, indications are that cotton production will fall short of the Bankhead Act maximum, but abrogation is not being considered. While the President has power to abrogate, he does not have authority to reinstate. There may be need for such a law next year. Abrogation would play into the hands of noncooperators. Were the law lifted, certain areas and certain non-cooperating producers would be relieved of the 50% tax they must otherwise pay.

"Politics," Says Alcoa

The Aluminum Company of America charges political discrimination by the Indian Bureau in refusing to allow the company to bid on 110 miles of high tension wire for an Arizona project. The bureau advertised for bids on copper only, contending the red metal is more efficient in the region where the lines are to be erected. It awarded the contract to Phelps Dodge. The bureau has prepared supporting data for presentation to President Roosevelt and Secretary Ickes, to whom the Aluminum Company has protested. For its Fort Peck, Mont., project, the War Department divided a much larger order 50-50 between copper and aluminum.

95,662 More Jobs

Campaigning in 1932, Roosevelt promised to cut government spending a quarter, presumably cutting the government payroll numbers accordingly. His first full fiscal year just closed shows 95,662 new jobs, according to civil service records, an increase of 33% in Washington and of 15% in the field. The percentage decrease promised almost equals the percentage of increase accomplished.

The TOY BANK is only the first step in saving

Save your pennies and they'll grow into dollars. This is the rule that the child is taught. But later in life it becomes apparent that saving is more complicated than dropping pennies into a little toy bank. That often ultimate saving comes through a systematic plan of spending.

This is aptly true in the matter of elevator maintenance. For mere skimping on elevator care eventually leads to elevator troubles and elevator repairs that are far more costly than systematic maintenance.

Figure your true cost of elevator maintenance yearly—for several years. Be sure to include deterioration and repairs and probable loss through tenant dissatisfaction when elevators are out of order.

And then compare this with Otis Elevator Maintenance. And remember that Otis Maintenance covers everything from regular inspection to repairs and replacement of worn parts. And that Otis Maintenance practically overcomes elevator deterioration. And that it keeps the elevators running perfectly at all times—promotes passenger safety and comfort. And you'll see what we mean when we say that Otis Maintenance (available at a reasonable monthly rate) will save you money.

To make this comparison, communicate with your local Otis office for full particulars on Otis Elevator Maintenance and its specific application to your own elevators.

OTIS ELEVATOR COMPANY

BUSINESS WEEK

AUGUST 4, 1934

Europe Postpones the Crisis

Knowing that powerful rivals are still balanced against each other, Europe was not seriously alarmed by the Vienna episode. Berlin, Paris, and Rome make a triangular balance likely to prevent war for a time.

EUROPE has sidetracked another war scare in the last 10 days, but not without profound misgivings about the future. The Versailles-created balance of power saved the day, but with the Versailles treaty disintegrating, Europe is turning back to force—sheer force—as a means of security.

Few well-informed observers believe there will be war within a year; few believe it can be averted for more than 2 or 3 years.

Despite the huge war profits of 20 years ago, world business leaders look with even less enthusiasm on the prospects of an outbreak than do the harried governments. France alone is able to make substantial down payments for materials. And France is a debtor to the United States from the last war. Probably the greatest gain to United States business during any widespread European war would be the removal of some of our greatest competitors in world markets. But, unless we once more extended unlimited credit, some of our biggest customers would also be lost.

Repercussions Here

Of course, there are traceable effects on current business and finance. Witness the break in our stock markets. Industrial and financial capitals in Europe have been discounting the rather alarming trend for several months. When the crisis came in Vienna the other day, they reflected only a momentary flurry. But in London, airplane shares have mounted steadily for months, the chemical industries are operating busily, and the country is working consistently toward as great agricultural self-sufficiency as is possible. In France, the gold hoard of the nation is still far above the "war chest" level, and fortifications are still being strengthened. Mussolini's fleet and air forces are being enlarged.

Austria is again the pawn of the powers, not because the country itself is so prized but because it is the logical entrance to the Danube valley with its vast agricultural and oil resources.

Germany and Italy are jealously intriguing to make first moves. Berlin seemed to have scored a year ago when the Anschluss (customs union) with Austria was announced; but the League and the powers effectively quashed that.

Then Rome scored. Little Chancellor Dollfuss became head of the government of Austria, in place of the Pan-German politicians, and showed interest when Mussolini proposed economic cooperation. Within a year Austria and Hungary made individual treaties with Italy encouraging reciprocal trade, Austria had created a new constitution based on the corporative system as set up in Italy, and the powerful Socialist party and the extremist Nazis in Austria had been forced to submit to Fascist control.

Effects Long Felt

The assassination of Dollfuss precipitated a crisis which threatened, only for a day, to spread over Europe. The immediate war threat has passed, but the effects will be felt for a long time.

Because Germany's relations with the rest of the world are so bad just now, onus for the catastrophe will probably be placed on Berlin. In may be a perfectly just accusation. But there are those familiar with European politics who know that other forces had a great deal to do with the episode.

Austria is about the size of four of the New England states—New Hampshire, Vermont, Massachusetts, and Connecticut—and has about the same population, a third of it in Vienna.

No political unit in Europe is such an economic monstrosity. Vienna for generations was at the crossroads of European travel, the industrial and financial center for the 52 millions who lived in the old Empire. Geared to handle this vast volume of business, the country's economic structure would have collapsed completely long ago if compelled to rely on the business of Austria's 6½ million inhabitants. Europe, determined to maintain the country as a buffer state, came to the rescue with loans exceeding $125 millions, and guarantees of independence.

After the War and until Chancellor Dollfuss came to power, Austria had the strongest Socialist government in Europe. Dollfuss cooperated with the Socialists (representing well over half of all Austrians) when he first came into power. When the Nazi drive threatened to engulf the country and he turned to Italy for aid, he definitely abandoned them. Though the Socialists hated the Nazis, they were *persona non grata* with Mussolini. Their resistance to the Dollfuss-Mussolini tieup ended in the storming of their barricaded apartments early this year (*BW—Feb 17'34*). Since then, they had opposed Dollfuss vigorously. Their sole tie with the Nazis is the desire of many to create a customs union with Germany as one means of economic relief.

German Expansion Hopes

Nationalistic Germans want Austria because it would add to their prestige, and because it would give them an opening wedge in their drive for economic—if not imperialistic—expansion in the Balkans.

Almost all of Europe opposes the move because it inevitably would lead to war. Major opponents are Italy and France. Allied during the War to prevent German domination of Europe, France, in particular, sponsored the Versailles splitup of the old Austro-Hungarian Empire and the encircling of Germany with pro-French states. Italy, cheated out of all but a small share of the spoils, was satisfied to see a weakened Germany but determined to give not an inch to any other nation which aimed at economic domination of Southeastern Europe.

Mussolini Goes Military

This is the reason for Mussolini's determined action in recent months. It has been constructive in so far as he has attempted to offer economic relief as a way of buying Italian favor in the Danube valley. But when this method threatened not to be effective enough, and when radical Nazi aggressiveness seemed to be getting the jump on him, he prepared to handle the situation with his military machine. Mussolini is too astute to want a combined Austro-Germany, with a population of 70 millions, on his northern border. That would be a threat to more than his ambitions for trade expansion to the Northeast.

Italian troops, however, are not likely to cross the Austrian border this year. Not even an international force representing all of Austria's guarantors in the League is expected in Vienna to "save" the country. Europe's old rivalries are again doing their work. They

probably will keep the situation in hand, at least for another period of months.

Thorn in the flesh of Mussolini is Yugoslavia. Facing Italy across the shallow Adriatic, and shutting Italy's merchants from a natural hinterland is this southernmost of France's satellites. As unsound economically as the Versailles pact has proved to be, it has in it certain sound political brakes. Yugoslavia, with Rumania and Czechoslovakia, has been tactfully coached by Paris for 15 years. Their Little Entente gives France a certain confidence that her interests in the Near East will be supported. And it would not be to the interest of Paris to have either Mussolini or Hitler dominate this populous part of Europe. Of the two, Germany offers the greater threat.

Italy and France are old allies, not old friends. Mussolini's moves to ease the problems of Danubian Europe will be tolerated by Paris only as long as they do not strengthen Italy at the expense of France.

If the present crisis emphasizes the absurdities of the boundaries created by Versailles, it does not yet reveal to the casual observer the fact that the economic distress of the last 10 or 15 years in many of these countries has driven the people once more toward Communism. In 1918, Europe feared Communism would sweep Germany and all Central Europe. To prevent this was the object of the strong financial and political aid given the vanquished countries in the prosperous years that ended in 1929. Since then, the depression has pretty well wiped out the artificial gains. In Germany, Hitler must bring about the better times he has promised if he is to keep his power against the Communists—and there are serious recent signs of a startling slowdown in German business.

So long as Hitler stays, there will be no help forthcoming. Should he be replaced by someone acceptable in Paris and London, the Reich might get new credits—as a bulwark against the Reds.

Wide World

THE SKODA WORKS—When Stanley Baldwin declared in the British Parliament this week that since aviation's advent "old frontiers are gone, and defense of England has shifted from the chalk cliffs of Dover to the Rhine," he reflected the uneasiness which is keeping munitions factories—like this vast French-controlled plant in Czechoslovakia—running full speed.

World-Wide Drought

Both northern and southern hemispheres see crops shortened by lack of moisture. Feverishly engineering relief, the Administration still can't help thinking of political effects.

ANOTHER 7 days of a searing midsummer sun have convinced the stricken inhabitants of drought areas that the worst is not yet upon them. Ahead lie August and September, ordinarily the driest months of all. In the face of the threat, state and federal officials work feverishly with the means at hand to tide threatened districts over into the fall rains. Fortunately the last Congress provided a vast relief fund from which an unexpectedly large amount will have to be used.

It now develops that no other country of the world is likely to profit from the raised farm prices sure to result from devastation in our great central basin. The disaster is worldwide. Recent reports to the Department of Agriculture disclose that in addition to a moisture shortage throughout the northern hemisphere, countries down under are suffering. In the wheat fields of Argentina and Australia, where seed is now going in, lack of winter moisture left the soil so dry that planting is difficult and results are uncertain.

The Russian wheat crop is low, as indicated by officially reduced quotas for production from state farms through most of the Soviet Union. The Danube basin is dry, although there will be some exports of wheat and rye, from a heavy carryover. All Central Europe is worried. Canada has found the drought a serious factor, but to no such degree as in this country. China's rice crop is affected, and large-scale relief plans are under way. The drought in the British Isles goes back to last year. It became serious all over Europe in April and May. Fortunately, a heavy carryover throughout the world, in most crops, confines the danger of world famine to the imagination.

Secretary Wallace says that our drought will be a devastating calamity if it continues unbroken for 10 more days. He speaks gratefully of the wide powers granted to government relief agencies and of the $500 millions which Federal Relief Administrator Hopkins got from Congress.

The books of the FERA reduce the mass misery to cold statistics. FERA is supporting 400,000 families in drought territory; and it spent there $20 millions in July. For the double purpose of allaying the water famine and giving work, the FERA is hurriedly sinking deep wells at many points. In South Dakota 100 have been sunk, in Wyoming 50, and many in other states. Inevitably, the worst conditions prevail in dry farming and reclamation areas.

Water on many of the old reclamation projects now is inadequate. The Reclamation Service has to take care of these as well as many of the dry farmers who must have a new place to live.

The service now is building numerous reservoirs and on two projects is arranging for the splitting up of individual holdings to accommodate more families. All PWA reclamation projects will be speeded.

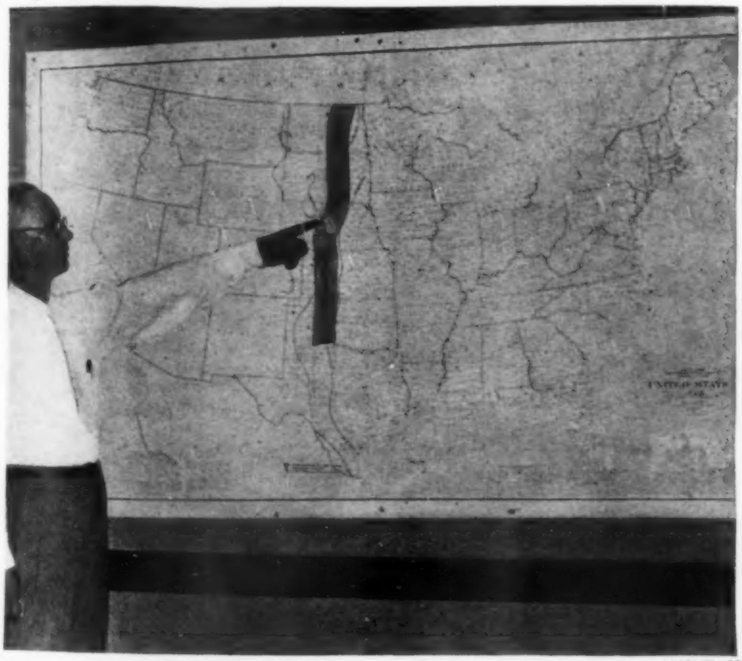
The proposed 100-mile-wide forest windbreak, plans for new dams and reservoirs are interesting for future speculation. Of immediate urgency is the best use for the half-billion drought relief appropriation. There are now 806 counties included in the primary emergency drought area and so classified by the Department of Agriculture. This covers all of the Dakotas, Nevada, Utah, and portions of 17 other states.

The Farm Credit Administration had received 23,000 applications for loans to provide feed for foundation herds and more than 21,000 loans totaling $2 millions had been disbursed by July 27. The government will purchase 4 million to 7 million head for canning, according to Secretary Wallace. Purchases to July 26 numbered 1,500,000 of which approximately 700,000 had been shipped to packing plants. Plans are maturing in the Reconstruction Finance Corp. for loaning an aggregate of $10 millions to tanners in the drought area.

Politicians realize that the party in power must take the blame for natural calamities if the outs can pin it on them. This is one matter which engages Mr. Roosevelt as he speeds homeward from Hawaii. Republican spellbinders this fall will talk drought and AAA in the stricken districts, many of which traditionally belong to the G.O.P. Repercussions will be felt in the cities when the drought begins to be felt in higher food prices. There is sure to be a drive against the AAA program which plowed under growing grain and slaughtered millions of pigs. Many believe that 50¢ pork chops are coming unless a buyers' strike develops.

Secretary Wallace, on the theory that attack is the best defense, is lambasting critics of AAA. He says the severest drought of 40 years is not proof that the "adjustment program" is wrong. Had acreage not been diverted from grains to pasture, forage for stock would be even scarcer. With its carryover, the country has plenty of wheat. He points out that 7 million head will have to be slaughtered or die in the pastures before the surplus of cattle disappears. In conclusion he asks what would have happened if the New Dealers had not been able to act boldly with ample funds.

A secondary upset has been in the dairy industry. It rejected AAA proposals to make the country one vast milk shed because each district was jealous of the other. The East was afraid the West would flood the Eastern market. A sensational result of the drought may be the forcing of this unified plan. But, ironically, the East will have to send its surplus to the parched West.



Wide World

THE TREE BELT—Assistant Forester Fred Morrell traces the tentative path of the government's 1,000-mile tree project which would build a barrier 100 miles wide through the Dakotas, Nebraska, Kansas, Oklahoma, and part of Texas.

To Cut Liquor Tax

Congress will reduce impost on whisky so as to get more money.

WHEN Congress gets back on the job, liquor taxes are sure to be cut. All official Washington is convinced, and by this time everyone else should be, that lower taxes will bring in more money. Present rates simply insure the bootleggers' business. Before prohibition, the nation used to drink 65 million gallons of whisky a year; withdrawals now are at the rate of 30 million.

The rest is plain bootleg, for nobody suggests that we are drinking much less, or that we have turned completely to wine or malt liquors, despite their heavy increases.

Joseph H. Choate, Jr., federal administrator, told the Governors' conference at Mackinac Island that all taxes, tariffs, and license charges must be reduced. He does not believe in state monopoly systems. The federal government will concern itself, however, only with such controls as the states cannot set up (production control, interstate shipment) and those in which uniformity is essential (as labeling and standards of identity).

As part of its side of the bargain with the states, the federal government will expand the Internal Revenue Bureau's alcohol tax unit from 1,250 to 1,700, apply strictly the recent regulations to govern label representations and to prevent reuse of liquor bottles, require sales of moonshiners' materials such as corn sugar to be reported, strengthen the Coast Guard to combat the recently increasing fleet on rum row.

Buying Pool

Several food chains are behind a new import group—perhaps to reach for A.&P. prices.

CERTAIN interests in the food industry are all hot and bothered over the mystery that surrounds the recent formation of Food Distributors' Association, Inc. The new organization is sponsored by 5 important chain systems: Kroger Grocery & Baking Co., with 4,344 stores; Safeway Stores, Inc., with 3,236 stores; First National Stores, Inc., with 2,653 stores; American Stores Co., with 2,882 stores; and National Tea Co., with 1,244 units. The backers say that it is to handle certain imported commodities.

Those familiar with the field think that there may be more back of the move than appears on the surface. They point out that the 5 systems have a total of 14,359 units, which is within comfortable shooting distance of the 15,427 total claimed by the Great Atlantic & Pacific Tea Co.; that total sales of the 5 for the last fiscal year topped $700 millions, as against the $864 millions of A.&P.

They argue that these figures indicate an attempt to duplicate the buying strength of A.&P. so as to get lower cost prices all along the line that would result in improved ability to meet A.&P.

price competition without the sacrifice of profit. They hold that this will apply with equal force to imported and domestic items, and that if pool buying is engaged in on domestic goods, it will divert considerable sales volume from present channels.

Others contend that the pool plan will aid on imports, but cannot be applied as readily to domestic items. They admit that on coffee and tea the new buying unit will approach in importance the dominant position now enjoyed by A.&P., which takes over one-sixth of all the coffee imported and a substantial portion of tea, so that it should be able to get equally advantageous prices on these fast-moving, highly-competitive but very profitable items. The same thing is presumed to apply on imported canned sardines, herring, etc.

New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

LEONARD has joined the important manufacturers who have added a low-priced chest to their lines of electric refrigerators. Called the Leonard Electric Chest, it has over 4 sq.ft. of shelf room in its 2 cu. ft. capacity, accommodating far more food than usually can be handled in this space. It has temperature control, 2 cube trays, sells for $77.50.

ANOTHER maker to reach for the mass market is Crosley. The Shelvador principle has been incorporated in the new lift-top model for easy access to eggs, fruit, and the like. The Crosley chest is in the same capacity and price class as General Electric, Frigidaire, Kelvinator, and Leonard. All were developed for the TVA market, but will be sold nationally.

BALTIMORE & OHIO's National Limited (New York, Washington, Cincinnati) now has lounge sleepers, with 8 sections, a buffet, and a large sunroom-lounge.

PONTIAC dealers are selling Doubting Thomases on the virtues of knee-action by removing the right front fender, placing a mirror back of the bumper. The Thomases can see just what happens when the car is driven over a bump.

LIBBEY-OWENS-FORD have acquired the Haven double glazed window rights, will merchandise the new glass extensively for air-conditioned installations. Thermopane windows use 2 panes, sealed together with dehydrated air between, to stop heat losses.

THE Toastmaster Hospitality Tray, introduced awhile back to sell more toasters by providing all the accessories, is out in a new model. The Toastmaster itself has been restyled and improved; the tray now has a treated wood instead of metal base with the dishes now made in one piece and the cutting block matching the tray. A smaller model has been added to broaden the market. It has a single slice toaster, fewer compartments for what goes on the toast, no cutting block, sells for $15 as against $21 for the original model.

PACKAGE RESEARCH LABORATORY has worked out a new crate and method of packing celery which gets more saleable celery to market, and, by trimming the tops, features the edible portions, reduces spoilage and waste. Result: 15% more saleable celery; 8% lower cost.

A NEW Hinde & Dauch display stand developed for Standard Brands has a place for the product featured, a blackboard for the price, and poster space for other items in the line.

WESTINGHOUSE announces a new wire (patent pending) called Tuffernell, used for windings of electric motors. Winding wire is usually insulated with cotton thread; Tuffernell wire is enameled, coated with adhesive, spiral-wrapped with flexible paper by automatic machine. Stronger, tougher, with better insulation value, the new insulation takes up less room. Tuffernell wire is not yet on sale, is being used exclusively by Westinghouse.

Compliance Crisis

Complaints of poor code enforcement rise to a peak.

COMPLAINTS of inadequate enforcement of codes have reached NRA headquarters in such volume, and have broken into the newspapers so conspicuously, that NRA is facing its most severe crisis. The Blue Eagle is in fading repute; business men in large numbers are ready to discard it and Washington suspects the public is growing indifferent to the label—or what is worse, dodges it as a sign of high prices.

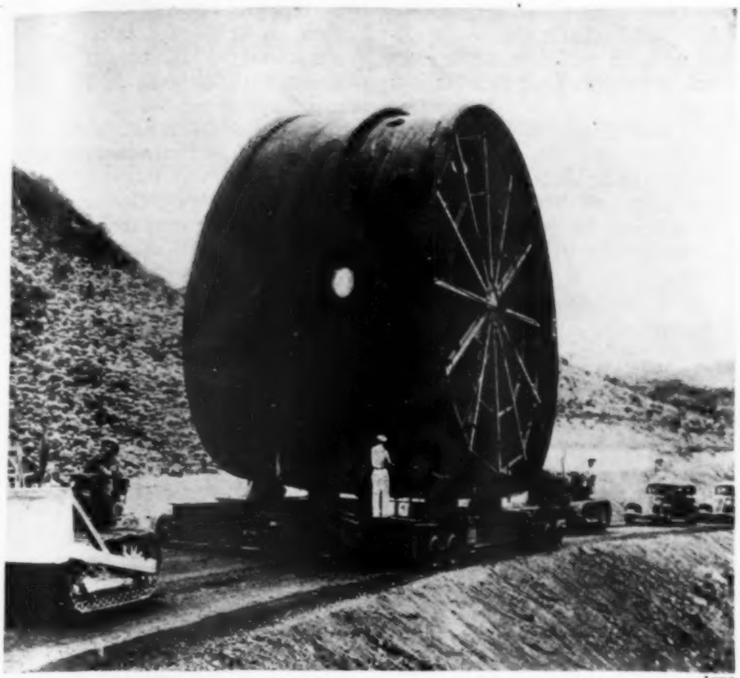
That is what brought General Johnson back to Washington in a hurry, upsetting all his schedules. He was preceded by blistering telegrams addressed to his staff.

When he arrived, the complete records in the Harriman Hosiery case and the Greif Clothing Co. case were piled on his desk for review and study. These are conspicuous sore spots, but there are many more. The service industries, for example, are talking of tossing the Blue Eagle into the ashcan as a dead bird. Now that their trade practice provisions are gone, it doesn't mean much to them.

Principal weapon left to NRA is the rigid insistence of the federal government and many states that every article, and every part of every article, they buy must be made under the Blue Eagle. Since governments buy almost every-

International News

CORN ON THE RISE—Drought has sent the price of corn higher than the 45¢ loan value placed on it by AAA last winter, so farmers are unsealing their mortgaged holdovers, repaying the government at the rate of $1 million a day, and keeping the difference for themselves.



Acme

PIPE FOR BOULDER—The world's largest trailer begins moving sections of the world's largest steel pipe (diameter, 30 feet) from the Babcock & Wilson plant to the site of the largest dam in the world. The pipe is for a penstock from the reservoir to the power house, so big it had to be made on the spot.

thing there is made, that order has teeth. It bit the Harriman mills; they can show you the place.

Much, perhaps most, of the trouble is NRA's own fault. The Baltimore judge summed it up not too unfairly when he remarked that the Greif Co. has sought honestly to learn what the rules of the game were, and could not find out at NRA.

Truck Sales

Government expenditures were the self-starter which enabled trucks to climb the sales curves this year.

WHILE the public has had its attention focused on knee action wheels, air flow bodies, and controlled ventilation, truck sales have unobtrusively but decisively led passenger cars in gains over last year. Truck registrations in the first 4 months of 1934 (the latest period for which complete figures are available) were 148% higher than in the same period of last year, as against an increase of 58% in passenger cars. Truck production from January to April inclusive was 142% greater than in the corresponding months of 1933, passenger car production 81%.

Dealers who were caught in the early months of this year with no passenger car stocks, because of delays in manufacture of new models, won't soon forget that commercial cars and trucks, which factories were in a position to make, provided them with a good share of their business then.

Grouped by occupations, farmers have shown the biggest percentage gains in truck purchases, which in some sections ranged as high as 314%. The construction industry, since federal projects have increased, has again become a volume purchaser. Many of the sales have been to individuals with hauling arrangements with states, counties, and municipalities which are spending federal funds on local jobs. Sales gains have been well spread over all classes of truck users, but chief satisfaction comes from the fact that the sharpest upswing was among the farmers, who own and operate the most trucks (26%).

Direct governmental purchases of trucks have accounted for only a small percentage of the total, may prove a more potent factor the latter half of the year if haggling over contracts among competitive manufacturers is not unduly prolonged. The federal government is estimated to own 50,000 trucks; other governmental units combined own considerably more. If the plan for motorization of the national guard goes through, the industry will consider that Uncle Sam has shaken a plum from his appropriations tree into its lap.

Incidentally registration figures do not tell the full sales story, because governmental purchases are not registered by the 48 states. This explains the difference between registrations and the sales totals of individual makers. Chevrolet, for example, has sold many units to the federal government which have not been registered.

U. S. Buying

Boiled down, the truck sales story this year has Uncle Sam as its hero. His direct purchases may not have been an outstanding influence, but his indirect influence has been all-powerful. His recovery plans, not private interests, have stimulated buying of trucks for construction work. The farmer has bought a truck to haul his produce and crops with money poured out of the government spout for crop restriction agreements (the amount per farmer ranged from $591 in the Northwest to $161 in Texas). Conservative sales executives declare over half of the business this year is traceable to Washington.

Chevrolet and Ford are battling for first place in passenger car sales, but the former retains a commanding lead in commercial car and truck sales. However, Ford's percentage gain this year in trucks has been greater than Chevrolet's, and the gap between the two is much less than it was a year ago. The most remarkable showing was made by Dodge, with sales in the first 6 months of this year of 22,423 trucks, compared with 6,019 in the same months of 1933. Its factory shipments this year were 35,094 units, as against 12,460 in the first half of last year. Dodge's spectacular record has enabled it to make more secure its hold on third place.

Small Trucks Bulk 90%

In the first 4 months of 1934 the truck volume leaders—Chevrolet, Ford, Dodge, International Harvester—sold 90% of all the units built by the industry. In the same period last year the first (and same) 4 sold 85%. Trucks rated from ½- to 1½-ton capacities continue to constitute well over 90% of sales.

Manufacturers heretofore identified almost exclusively with heavy-duty trucks have in many cases increased their business, in percentage, correspondingly with light-truck makers. Their success has been due to introduction recently of smaller, lighter units and to redesign of heavier units so as to reduce over-all length and increase payload.

Although the tendency still is toward elimination of excessive numbers of standard body styles for various commercial purposes, and buyers have been satisfied for economy's sake to take

standard trucks the specifications of which did not exactly conform to their requirements, the volume of inquiries for special jobs is increasing. Sales executives predict that as the depression fades, purchasers will again find it to their advantage to pay a little extra to fill their particular requirements.

So far as special equipment for commercial retail delivery cars is concerned, the buyer has to spend money for few, if any, "extras" to secure a de luxe job. Manufacturers point out that standard equipment today in trucks, as in passenger cars, is equal to or better than the de luxe equipment of a few years ago. Such standard equipment now includes fancy lettering, unusual body curves, the many little features which give a smart appearance. Truck designers are scratching their heads trying to figure out new wrinkles for the jaded tastes of buyers.

Chevrolet this year has departed from conventional practice which called for building commercial bodies on passenger car chassis, by engineering its truck line entirely apart from its passenger car models.

Sufficient retail outlets to get its share of the truck business has been the problem of every manufacturer. The ideal setup is for a dealer to have a separate sales staff for trucks; wherever he does, he gets more volume, makes larger profits. But few dealers have such an arrangement, therefore unfamiliarity with truck features and specifications sometimes costs them business. In a very few cases, dealers handle trucks exclusively. One manufacturer is experimenting with an exclusive truck store in Detroit at present, feels thus far it is doing well.

Reports have circulated in Detroit at various times of attempts on the part of heavy-duty truck builders to make a sales hookup with manufacturers of commercial cars and light trucks, thus broadening the number of retail outlets and giving dealers a wider line to sell. But these reports have never culminated in actual agreements.

One truck sales factor which shouldn't be overlooked is more liberal financing this year on the part of automobile financing companies. It used to be that a truck buyer had to pay down at least 40% when he signed the order and clean up the remaining 60% in 12 months. Now the financial people are satisfied with 25% to 30% down, have extended the time to 18 months.

Earnings Up

Record of 30 corporations suggests that business may be better than the stock indexes.

BUSINESS, as SEC Chairman Kennedy says, is better than confidence, and earnings, now being reported for the second quarter, appear better than one would expect from the course of the market. The record of 30 large corporations that have recently reported to their shareholders shows average earnings 42.8% above those chalked up for the good first quarter (*BW—Apr28'34*) of this year, 66.3% above the comparable second quarter of 1933, and 12.6% above the 1933 third quarter, last year's peak period.

The substitution of black profit figures for the losses that had featured the returns of a number of the companies in this list was an important factor in lifting second quarter totals. The rapid comeback of United States Steel, Bethlehem Steel, and Westinghouse, the sustained recovery of National Cash Register and Stewart-Warner gave evidence of an improvement in industrial conditions. Only 2 of the companies failed to make profits, against 5 in the first quarter, and 7 in the second quarter of last year.

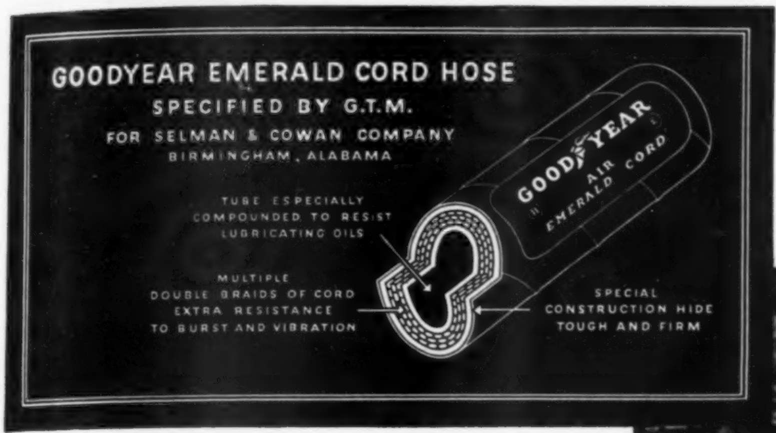
The slow start that July has given to this year's third quarter has led many observers to express the opinion that the 1934 peak period has just passed, that there will be no seasonal advance in business this fall. Others are equally sure that by election time activity will have reached a new recovery high, that earnings during the third quarter will surpass those of the second. Regardless of which view may prove correct, the record of these corporations indicates that managements will be able to make the most of conditions as they develop, turn even a small improvement into a large increase in profits.

Second Quarter Net Earnings—Still Rising

	1934 2nd Quarter	1934 1st Quarter	1933 2nd Quarter	1933 3rd Quarter
Air Reduction Co	$1,216,532	$994,284	$720,485	$1,037,402
American Rolling Mill Co	1,472,879	545,269	307,268	347,067
Atlantic Refining Co	2,377,000	613,000	2,125,000	5,710,159
✓ Bethlehem Steel Corp	3,441,642	d902,044	d3,312,846	d283,097
Coca-Cola International Corp	776,374	610,371	961,200	614,234
✓ Commercial Solvents Corp	602,733	635,004	412,290	642,318
Corn Products Refining Co	2,103,755	2,298,410	3,090,116	2,909,676
DuPont de Nemours & Co	11,925,444	11,628,154	8,974,743	11,981,980
General Foods Corp	2,203,062	3,679,650	3,104,394	3,236,296
General Motors Corp	40,267,090	29,319,523	41,198,169	33,341,618
Gillette Safety Razor Co	1,063,876	902,202	1,275,048	453,278
Hercules Powder Co	928,555	872,926	666,072	837,965
Hershey Chocolate Corp	832,762	1,660,492	916,935	1,119,689
Libbey-Owens-Ford Glass Co	1,161,321	1,370,998	1,533,980	1,526,935
National Cash Register Co	722,130	280,817	d37,546	d242,135
National Distillers Products	1,965,885	3,832,278	280,463	1,477,925
National Steel Co	2,593,369	1,642,328	1,532,466	756,565
Niagara Hudson Power Corp	1,026,879	2,211,961	806,078	1,575,007
Packard Motor Car Co	d1,711,123	d1,257,021	21,953	622,786
Phillips Petroleum Co	1,784,032	726,125	d3,144,967	1,629,162
Procter & Gamble Co	3,230,708	4,031,841	3,738,572	4,383,840
Shell Union Oil Corp	d897,591	d41,091	d4,865,837	4,536,632
Standard Brands, Inc	4,087,961	4,302,626	3,567,140	3,669,447
Stewart Warner	372,765	167,495	d268,824	d42,631
Texas Gulf Sulphur Co	1,923,447	1,427,778	1,437,861	2,611,362
Tide Water Assoc. Oil Co	1,247,422	1,430,963	1,413,083	2,464,886
Union Carbide & Carbon Co	4,779,505	4,337,939	2,642,745	4,603,663
United States Steel Corp	5,350,241	d6,989,965	d8,627,367	d2,717,014
Westinghouse Elec. & Mfg. Co	1,744,427	d1,776,152	d2,078,424	d1,513,645
Wrigley (Wm.) Jr., Co	2,003,586	1,875,957	2,092,767	2,055,614

d Deficit

G. T. M. CUTS HOSE COST 80%



Goodyear Air Hose gives five times longer service on rock drill job

. . . hose was frequently under water

Saving leads engineering firm to adopt 100% Emerald Cord Hose

IF YOU want to learn how to cut drilling costs, just ask Selman & Cowan Company, well-known contractors and engineers of Birmingham, Alabama.

When this firm contracted to widen Village Creek, Birmingham, for drainage purposes two years ago, they believed all makes of hose were pretty much alike.

This was no spectacular job, but there was considerable rock drilling—and they soon discovered that the several different makes of hose they were using were *averaging only three to four months' service!*

Dissatisfied, they told their troubles to the G. T. M. —Goodyear Technical Man.

GTM SPECIFIES EMERALD CORD

Observing that the hose was being constantly dragged back and forth over rock and was frequently under water, the G. T. M. specified Goodyear Emerald Cord Air Hose because of its extra tough cover, specially designed to resist cutting, peeling and abrasion under severest conditions.

This hose gave 18 months' continuous service—five times longer wear than the other makes. And that figures 80% less replacement cost in any language!

"It is needless to say that our hose is now 100% Goodyear Emerald Cord," writes Selman & Cowan.

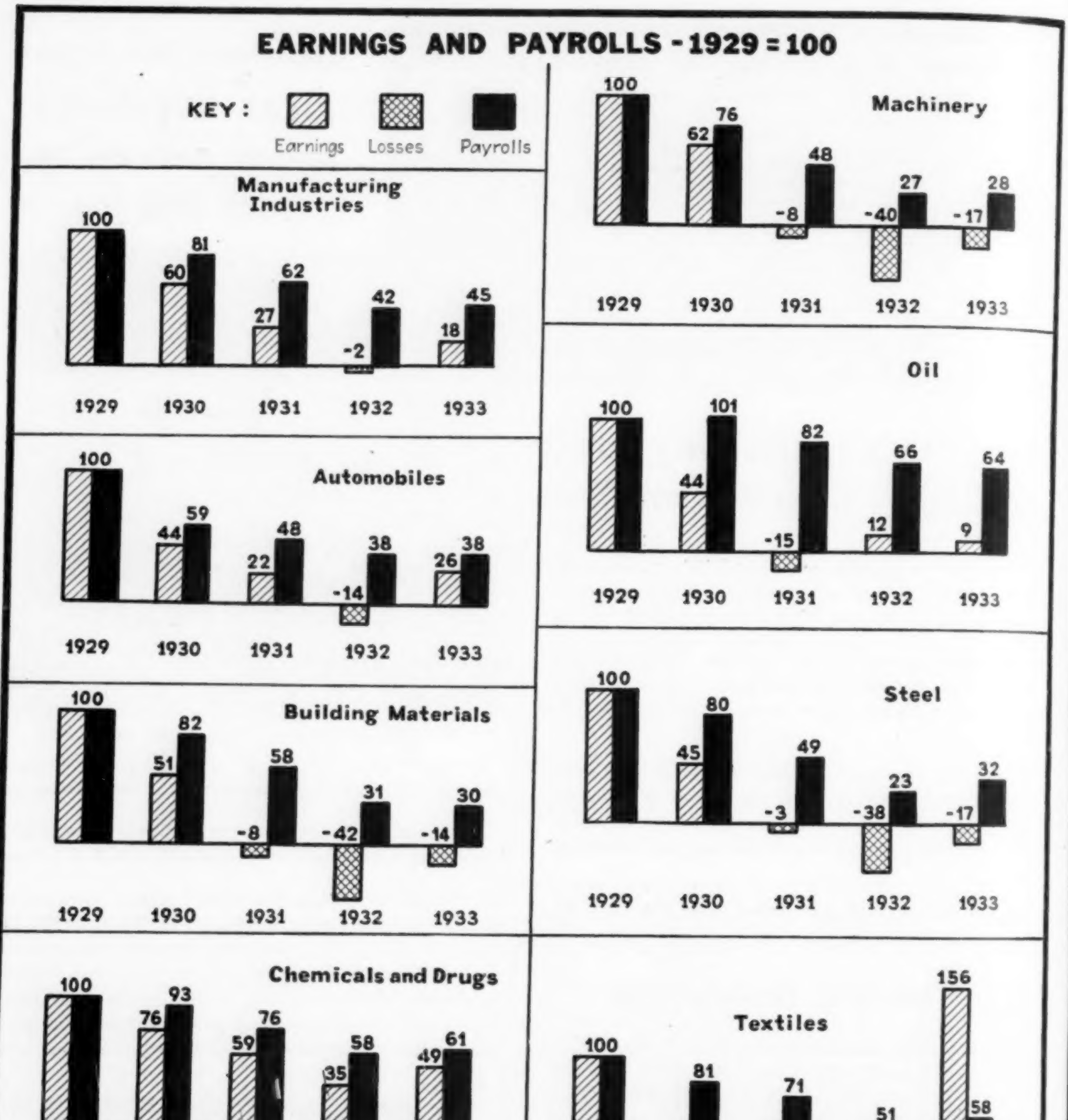
All Goodyear Belts, Hose and other Mechanical Rubber Goods are individually specified to the job by the G. T. M. to insure long, trouble-free, economical service. Perhaps he could help you reduce expenses. To fetch him, write Goodyear, Akron, Ohio, or Los Angeles, California—or your nearest Goodyear Mechanical Rubber Goods Distributor.

BELTS · MOLDED GOODS
HOSE · PACKING
MADE BY THE MAKERS OF GOODYEAR TIRES

THE GREATEST NAME IN RUBBER

GOODYEAR

NRA CODE


EARNINGS AND PAYROLLS - 1929 = 100
KEY: Earnings Losses Payrolls
Manufacturing Industries
100 100 60 81 27 62 -2 42 18 45
1929 1930 1931 1932 1933
Automobiles
100 44 59 22 48 -14 38 26 38
1929 1930 1931 1932 1933
Building Materials
100 51 82 -8 58 -42 31 -14 30
1929 1930 1931 1932 1933
Chemicals and Drugs
100 76 93 59 76 35 58 49 61
1929 1930 1931 1932 1933
Food and Food Products
100 90 96 68 82 47 65 59 67
1929 1930 1931 1932 1933
Machinery
100 62 76 -8 48 -40 27 -17 28
1929 1930 1931 1932 1933
Oil
100 44 101 -15 82 12 66 9 64
1929 1930 1931 1932 1933
Steel
100 45 80 -3 49 -38 23 -17 32
1929 1930 1931 1932 1933
Textiles
100 -64 81 -70 71 -124 51 156 58
1929 1930 1931 1932 1933
Earnings, Fed. Res. Bank of N.Y.
Payrolls, U.S. Bureau Labor Statistics

Auditing the New Deal

5. Business and the Codes. Significance of the attempt to organize business. What is in the codes. How they are working. What has business gained or lost? What business men see as NRA's future.

BUSINESS had to get better quickly, dramatically, if the New Deal was to succeed. New Deal policies related to money, farms, banks had to arouse favorable reactions on prices, production, wholesaling, retailing, or be pronounced a failure. Industrial and commercial employment and payrolls had to be forced up promptly and decisively, for jobs and wages were well-watched local points at which the large mass of people would judge the success or failure of the Administration policies.

For those and other reasons New Deal helmsmen drafted the National Industrial Recovery Act so that it could (1) be dramatized as a great gift, (2) raise the hopes of the people, fire their imagination and enthusiasm, (3) give the workers a new place in the sun, and (4) extend to business certain new privileges in exchange for various concessions it was to make to labor.

Enter NIRA

When business examined the National Industrial Recovery Act as finally passed, it found several things quite to its liking. For duration of the Act, cooperation was to become the keynote. Unfair competition was to be wiped out. Codes of fair competition were to be the basis for governing industry, and the district courts of the United States were invested with authority to prevent and restrain violations. Last, but not least, "any action" in compliance with the provisions of any code approved under the Act would "be exempt from the provisions of the anti-trust laws."

Putting reverse English on this last clause, business promptly realized that anything in the way of restriction of competition that could be gotten through the code-approving machinery would not draw fire from the Department of Justice.

Business Rights

Business was more or less confirmed in this conclusion when it studied the President's famous Bulletin No. 1. In it he cited specifically the relaxation of the anti-trust laws, condemned unchecked competition, lambasted racketeers, predicted extermination of sweatshop businesses. He also sounded the challenge to business that, having been given "the right to act in unison," it now had the long-wanted chance to demonstrate the "general good" that could be accomplished in doing what had "hitherto been unlawful."

Some of the codes that were drafted during the early days represented the handiwork of attorneys who knew their way about in the anti-trust laws, and they had produced documents that—if actually approved—would have built a neat stone wall around the industry involved, stifled new competition, insured every member of a very useful profit, but also would have softened the fibre of each so seriously that they might have been wiped out in the type of cutthroat competition which may ensue when the NIRA expires or is materially changed.

Business And The New Deal

Business drove a good bargain under the National Industrial Recovery Act, tabulation of the codes clearly shows. It secured many privileges forbidden it under anti-trust laws.

Extended canvass by *Business Week* shows overwhelming business sentiment in favor of retaining the code system. This is assuming replies from code authorities and trade associations really reflect sentiment of their industries. Admittedly, they might have some bias toward a system under which they have jobs.

The answer must be better profits. Income tax figures supply no clue to this as yet, but corporate earnings statements offer evidence.

Chief sore spot in the situation is labor relations—left, as the importance of the subject demands, to a later article.

Business is severely critical of the administration of the Act. It complains there is no enforcement, there is confusion at headquarters, rulings cannot be had, bureaucracy is growing up.

Other proposed codes were no more than amateurish attempts to cure with a NIRA code all the ills of an industry, without making any serious effort to go to the core of the trouble, and applying the remedies first to the inside of the industry's structure.

But many codes reflected not merely a thorough understanding of the NIRA, of its objectives and its limitations, but also true appreciation of the fact that a code constitutes an agreement between industry and government, and as such is not just a purchase order for privileges but imposes certain definite obligations upon both parties.

Fortunately, among the first batch of codes that went through the mill and received the President's approval, there was a sufficient number of this latter type to provide a pattern others might follow.

An analysis of the 462 codes that were approved during the first year of the National Industrial Recovery Act shows that business bargained rather well, and in many instances took all the freedom that a fair stretch of imagination could justify under the Act. In fact some industries bargained too well, because the safeguards which they laboriously built around their membership demanded more fortitude and restraint than some of their members—depression-weary human beings—could muster, and so code violations have become a serious problem in numerous industries.

Code Provisions

Analyzed by their fundamental objectives, the most significant provisions that industries wrote into their codes might be divided into four major groups: (1) to benefit labor; (2) for social betterment; (3) for ameliorating competitive strife; (4) to improve profits.

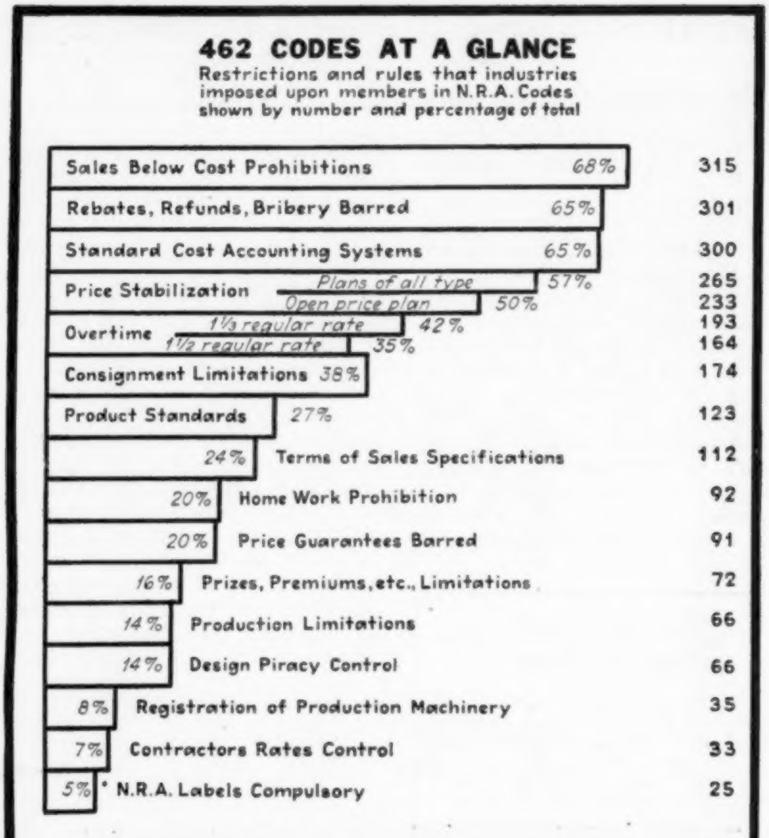
Obviously the Act was written for the purpose of helping to put people back to work at better pay. Therefore the labor provisions form an important part of each code. Since the labor phase of the New Deal will be dealt with in a later article of this series, it is merely pointed out here that besides generally increased minimum wages and decreased working hours, labor has obtained, through the codes, commitments from 357 out of 462 industries to get paid for overtime at increased rates, and has 33 industries watching to see that contractors actually engaged in producing goods observe code wages and hours.

Among the achievements in the field of social welfare for which the Recovery Act must receive credit is the virtually complete elimination of child labor in all industries, and the restriction or elimination of homework in those 92 industries where it has been a factor.

Since one of the by-products of the Act was to be improvement of competitive practices, all codes contain fair practice rules, but those in the accompanying tabulation are particularly significant in that they will unquestionably exert a permanent and salutary influence upon business tactics.

Cost Provision Results

The prohibitions against sales below cost, found in 315, or 68%, of the first year's total of codes, and the requirements for a standard cost accounting procedure, demanded by 300 industries, already have produced excellent results in some fields. Small manufacturers in



particular have become cost-conscious. Hundreds who previously set the prices on their goods by what their competitors charged, now for the first time are forced to study their own operations and determine their production costs by a procedure that was especially designed for their trade, and leaves few, if any, loopholes for "forgetting" to charge essential items.

Rebate Clean-Up

The benefits of the prohibitions against secret rebates, all sorts of refunds, commercial bribery, which 301 of the first 462 codes carry, are not measurable because the very nature of the practices involved prevents comparisons. However, a field study made in several industries where those practices were exceptionally popular disclosed that many manufacturers were able to revise their entire price structure or pricing policy, give *all* their customers the benefit of somewhat lower prices because they were no longer exposed to the under-cover expenditures demanded by a few. Somewhat similar results have been noted in the 112 groups that specify standard terms of sale, in the 91 industries where price guarantees are barred, and to a lesser degree where prizes, premiums, lotteries are prohibited.

In the 66 industries where design piracy, as one of the disturbing elements, was made the subject of code limitations, improved conditions are reported. Several have extended this phase of activity by projecting special design registration bureaus and perfecting systems for control of violations, thereby achieving under NIRA relief that they were unable to secure through frequently-sought enactment of special federal legislation.

Those who have studied the operations of various codes expect that the influence of labor provisions will extend to a greater or lesser degree beyond the limits of the NIRA. It is considered probable that those code provisions which have a social aspect will be preserved because of the popular interest they commanded prior to NIRA and pressure of welfare agencies for their continuance. Furthermore the fair practice rules which various industries have imposed upon their members undoubtedly will find a place in any new setup that may be created to supplant the NIRA, or they may survive by transfer of code jurisdiction to the Federal Trade Commission.

However, it is more difficult to predict the probable fate of those code provisions that stand clearly in conflict with the anti-trust laws or might be considered as hovering in the twilight zone of violations under those laws.

For instance, there are 66 codes that attempt the limitation of production in one form or other. Some of these have accomplished the desired result and produced greatly improved conditions, while others proved only partially successful.

Among the codes that employ the limitation of machine hours as the means of controlling production, the cotton textile code may be cited as the outstanding success. It limits machine hours to 80 a week and establishes minimum wages that represent increases of from 50% to 100% over the rates paid during the period immediately preceding codification. Furthermore, a processing tax has been imposed on cotton products since the code went into effect. Yet despite these handicaps, earnings in the textile field have shown spectacular increases, and in the case of a representative group jumped from an index loss of minus 124 in 1932 to a profit of plus 156, when the earnings of the same companies during 1929 are taken as plus 100. Total payrolls of the same companies gained only 7 points, rose from index figure 51 in 1932 to 58 in 1933, compared with 1929 as 100.

Overproduction Again

The code for the hosiery industry also attempted to cure the competitive ills caused by overproduction through limitation of machine hours, but with less success. It was found upon investigation that with productive activities limited to two 40-hour shifts a week, many machines that for lack of orders had run only 1 shift a week, now were worked to the full limit allowed under the code. As the direct result of this, overproduction again has built up large inventories, underhanded competition is rampant in many markets, and general conditions in the industry are such that further limitation of production may have to be enforced before some semblance of order and stability can be established. Nevertheless, important hosiery manufacturers agree that future prosperity of the industry can come only if a suitable code is in effect and the code authority is invested with the necessary funds and power to command enforcement.

Limiting Hours No Cure

The cast iron soil pipe industry also attempted to cure overproduction by drastically limiting working hours to one shift of 27 hours per week. Yet after 9 months of operation under the code, conditions were so bad that it convinced the NRA that an emergency should be declared due to destructive price-cutting, and the code authority now has announced minimum prices in an effort to stabilize competition.

In the majority of industries that attempted production control by methods other than limitation of machine hours,

actual results have been only moderately satisfactory, because existing capacity to produce so far exceeded available volume that nothing short of an allotment plan could prove fully effective, and one industry now has such a plan in successful operation, while several others are attempting to operate on that basis.

The uncertainty as to their post-NIRA status that confronts the production control provisions in codes is shared to a greater or lesser degree by the various plans for price stabilization that are part of 265 out of the first year's 462 codes. It has been generally held that price control in any form—price-fixing or planned uniformity of prices—is not in the public interest. Economists have argued against all such plans, and politicians have condemned these as devices of the capitalists and profit gougers. Nevertheless, the experience of numerous industries under their NRA codes has demonstrated that plans for price stabilization have a definite place in any program that is designed to create a planned economy, or at least some degree of balance between production and distribution.

Open-Price Plan

The open-price plan, which is found in complete or modified form in 233, or just half of all the codes approved during NIRA's first year, has been praised and condemned with equal emphasis.

The outstanding example of successful operation under that plan is found in the electrical industry, where it is used extensively under the rules imposed by the code, and has provoked comparatively few protests. That its application has been less satisfactory in the majority of other industries is not due to any inherent defects in the plan, but rather because it was applied to unsuitable products or inadequately planned and administered. It has been demonstrated through NRA experience that when properly prepared, the degree to which the plan will prove satisfactory is approximately equal to the degree of standardization and uniformity that is found in the products to which it is applied. Therefore, many industries hope that, guided by the NIRA experience, business will be able to evolve a plan that will be uniformly satisfactory, provided that later legislation will permit plans for price stabilization to be employed.

Closely allied to the price problem is that of consignment sales, on which 174 industries have placed certain limitations. In many fields consignment "sales" were made chiefly to gain advantage over a competitor, as an entering wedge with a new customer, to gain free display or storage, or to get their equivalent on the books as "accounts receivable." Where so used, they have been recognized as a trick and subterfuge. In a limited number of industries consignments are under the control of the code authority. When under proper regulation, the restriction has functioned well and contributed to increase stabilization of prices and distribution costs.

Wide World

JOHN T. WILLIAMSON—One of the 3 members of the Railroad Retirement Board, he has been in charge of relief and employment, chairman of the pension board of the Burlington, for years.

It is significant to note that business as a whole displayed considerable unanimity of opinion as to the need for certain rules, and that so many of the provisions which go to the very core of competitive problems were included in so many codes. More important still is the fact that many of the codes have worked well.

Majority Want Codes

For the purpose of securing a cross-section of the attitude that American business has today toward the NIRA and the codification of industry, *Business Week* recently addressed a number of representative trade associations and code authorities in a variety of different industries. Included were industries that produce consumer goods, capital goods, building supplies, as well as groups in distributive activities, such as wholesalers and retailers. In size they ranged from those doing an annual volume of a few millions of dollars to those doing several hundred millions. The two largest reported an annual sales volume of $2 billions and $12 billions respectively. The smallest association had 8 members; the largest had 30,000 in July, 1934. The majority counted their memberships in hundreds.

Of those associations, 40, with 92,196 members, gave answers that could be properly classified, and it is highly significant that only one group voted for complete abandonment of the NIRA and return to the days of full enforcement of the anti-trust laws. In one other industry the large members want to abandon the NRA, while the small dealers want to keep it (Mr. Darrow, please take notice). The 38 remaining groups voted against abandonment of the NRA (some in most emphatic terms), although only 30 care to have it continued in its present form.

There were 24 industries which voted against return to the anti-trust law days; 16 that were willing to have some government supervision but without the Federal Trade Commission; 7 that were willing to have the FTC supervise administration of their codes.

Bitter Criticisms

However, some of the industries, despite their loyalty to the principles of the NIRA, voice bitter complaints against administrative phases of the program. There is a feeling abroad that administrative action often has hindered rather than helped industrial recovery.

Compliance with codes is not what it should be; enforcement machinery is inadequate, slow, often inefficient. For lack of decisive action violations are multiplying in many fields; compliance breaking down entirely in others.

Many industries and concerns deplore NRA's vacillating policy on prices and pricing systems, its unwillingness to take a stand and stick to it. Those trying to live up to their code, but needing rulings on some borderline situation, have found it hard to obtain rulings from NRA that would clear up matters.

Executives who are veterans, who helped to put one or more codes through the NRA mill, comment on the recent change in "atmosphere" at NRA headquarters, sense a bureaucracy in the making, resent the brass-button attitude of unseasoned officials found in highly important posts.

Codes Pay Out

That despite these criticisms an overwhelming majority voted in favor of codes forces the conclusion that the system must yield profits. We know business is better, at least bigger, than in early 1933.

But business measures its true success not in dollar volume, but in dollar profit. Is business more profitable now? Income tax statistics will not yet help answer the question, because the first year of NRA does not coincide with the calendar year. However, a charting of earnings reports of corporations, grouped by industries, for the years 1932 and 1933, suggests the trend.

For comparison, the amount of the payrolls reported to the U. S. Bureau of Labor Statistics has been set alongside the earnings column for each year.

Horrible Concrete Example

Industries which would like to amend their codes are frightened off by the sad experience of cement.

NUMEROUS industries have discovered, in actual practice, that various minor provisions of their codes need revision to facilitate administration or improve effectiveness. But they hesitate to move. They have been watching the cement industry's troubles. Its experience serves as the horrible example of what happens when a code is reopened.

The cement industry was 99 44/100% satisfied with the code as signed. It put labor on a 36-hour weekly average, recognized dealers wherever they could justify their service, gave manufacturers some relief from cutthroat competitive practices, yet offered consumers protection against excessive markups and monopoly.

But in demanding that dealers perform a necessary service, it stepped on the toes of a small group that had been accustomed to levy toll on all orders in a territory, whether they ever touched or even saw the cement or not. This element started a vigorous campaign against the code before the ink on the President's signature was dry. They recruited support from among dealers who had not studied the code carefully, and succeeded early in January in getting a hearing scheduled for modification of the code—this 6 weeks after it became effective.

There were hearings Jan. 15 and 16, and a week later General Johnson suspended Article XI, the selling and marketing plan, the heart of the code. Thus hopes of the industry for economic planning of its distribution were dashed, or at least deferred.

During the succeeding months, while industry leaders were struggling with revisions of the suspended section, their problem was made still more complex by (1) the tangle with TVA and Mr. Ickes' threat to build a cement plant for it (*BW—Mar31'34*); (2) the confusing Presidential order that on government bids manufacturers may cut as far as 15% below listed prices and the still more confusing interpretations.

Meanwhile the suspension of Article XI was a bugle call for various groups who swarmed in once more to push pet proposals for renewed consideration.

When finally, June 23, 5 months after suspension, NRA sent out official notice of a hearing on the proposed revisions, these included not merely the Article XI as redrawn by the industry, but also: (1) extensive amendments to Articles III and X proposed by the Labor Advisory Board; (2) changes, deletions, amendments to Articles VIII, IX, X, XI, and XII, proposed by the Consumers' Advisory Board; (3) amendments to Articles I, II, III, IV, X and XII, proposed by the NRA legal division. Of the original code little remained unattacked.

By this time, there had been a remarkable change of heart on the part of the dealers. The dealers had found that the original code actually gave them more than they ever expected to get, and now through their national spokesman they declared themselves 40,000 strong behind the new Article XI, which assures them of a place in the sun as long as they are useful.

Opposed to the new marketing plan, the ready-mixed concrete industry and the Associated General Contractors of America contended that if approved it would give dealers a virtual monopoly in the field. However, even in their ranks observers noted lack of agreement, because many ready-mix concerns and numerous important contracting outfits are owned or indirectly affiliated with supply concerns that handle cement. For such operators to block the dealer plan of the code merely meant piling benefits on their less well-situated competitors, and so their opposition was only lukewarm.

Meanwhile many cement manufacturers are wondering just what is going to happen. They find themselves beset from all sides by suggestions, demands, orders of what to do and what not to do. With their industry working at only a fraction of its capacity, they cut working hours and raised wages in expectation of better stabilized marketing conditions, but instead their marketing plan was upset, the open-price plan muddled by the 15% price-cut order.

They endorse the sentiments expressed by Charles F. Conn, president of the Cement Institute, "No one can be expected to play the game when the referee continually changes the rules." He asked whether code writing had become a process in which "industry does all the giving and NRA the taking."

Real Estate Improves

Nationwide study shows growing shortages of single family residences and apartment houses.

ECONOMIC conditions are rapidly effecting a change for the better in the real estate situation. Only 4% of 267 reporting cities now have an oversupply of single family residences, 49% already show a definite shortage of this type of structure, and 47% have a normal balance between supply and demand. This is indicated by statistics compiled by the National Association of Real Estate Boards as part of its twenty-third semi-annual survey, the final report of which will be available later.

Four times as many cities have a shortage now as a year ago.

Shortages for apartment buildings began to be reported by a number of cities in the survey six months ago, and in the present one 20% of the cities reporting show a shortage of such space, and only 14% a current oversupply.

PWA HOUSING PROJECT—As part of its $125-million housing program the Public Works Administration has built several small blocks of houses at Alta Vista, Va., to overcome a residence shortage. These homes rent for $20 monthly on corners, $16 in the row.

Wide Reading

HOUSING OBSOLESCENCE. Thomas S. Holden. *Architectural Record,* July. Studies in various cities showing number of houses in need of minor repairs, number needing structural repairs, and number unfit for use. Model summary of survey data as well as useful information about 25 cities.

PREFACE TO CITY PLANNING. Talbot Wegg. *Virginia Quarterly Review,* Summer. An architect reviews a few of the successful housing projects in the country, explains what may be accomplished in the government's new housing program, and how projects can be encouraged in communities.

NEW HOMES FOR THE NEW AMERICA. Donald Wilhelm. *Today,* July 21. Examples which show how science and invention help meet the need for low-cost modern housing.

EFFECT OF POPULATION TRENDS ON REAL ESTATE VALUES. W. S. Thompson. *National Real Estate Journal,* July. Specific effects on the business of recent striking changes in population. More of the carefully prepared information which marketing experts are seeking.

AMERICA'S VANISHING MIDDLE CLASS. Ellsworth Huntington. *Today,* July 28. As the peasant level is approached in the East, will the Far West lead in the future?

HOUSING AND MUNICIPAL GROWTH. *Soviet Union Review,* July. Russia is moving with the rest of the world to improve housing. Some recent developments in great industrial centers.

THE DECENCY CAMPAIGN, INSIDE AND OUT. Martin Quigley. *Motion Picture Herald,* July 21. What the public objects to in motion pictures; what the producers are doing to clean up their pictures; what can be expected from the campaign.

BRITISH EXPERIMENTS IN THE REDUCTION OF EXCESS INDUSTRIAL CAPACITY. Arthur F. Lucas. *Harvard Business Review,* July. Most of them have not been very successful due, usually, to unwillingness of owners and creditors to cooperate. Governmental action will be necessary in most cases to force reorganization.

THE WORLD TREND TOWARD NATIONALISM. *Annals of the American Academy of Political and Social Science,* July. An entire issue devoted to the study of the spread of economic nationalism, with special treatment of future American foreign loans, international competition and labor standards, and foreign trade barriers.

REPORTS—SURVEYS

INFLATION AND AFTER. Philip G. Wright. The Duke Endowment, 66 pp. Case studies of the effects of inflation in France, Germany, and Austria on savings banks and their depositors, educational trust funds, life insurance companies and policyholders, wages, salaries, and pensions, and charitable foundations.

CUBA'S FINANCES. Institute of International Finance, 17 pp. Review of the island's financial condition at the end of May, 1934. Pertinent in view of the agreement now pending.

NIRA SCOREBOARD

Based on official texts of approved industry codes published up to July 28, 1934

(Continued from *Business Week*, July 21, 1934)

470. Aluminum Industry

By Association of Manufacturers in the Aluminum Industry. Code effective July 11, 1934. *Maximum Hours:* 40 a week. Certain specified exceptions and tolerances. When specified, overtime draws 1½ times regular rate. *Minimum Wages:* Range from 30c. an hour in the South to 37½c. in North, according to type of work. Women get equal pay for equal work. Office workers, $12-$15 a week. Equitable adjustment of all wage rates to maintain pre-code differentials. Reclassification and wage reductions prohibited. *Other Important Provisions:* Code Authority to have 11 members. No member of industry to have more than 4 representatives on Code Authority. Each commodity division permitted its own supplementary code subject to approval by the President. Producers of ingot aluminum must charge controlled or fabricating subsidiaries the same price as is available to independents. Prices quoted on imported aluminum may be met, but action must be reported to Code Authority. Prohibits special allowances, secret rebates, inordinate cash discounts, etc. Code operation to be studied and report made to NRA Administrator within 6 months. During 90-day trial period for which code has been approved NRA Administrator proposes investigation of past practices of the industry, using such other government departments as may be needed.

472. Warm Air Register Industry

By National Warm Air Register Manufacturers Institute. Code effective July 9, 1934. *Maximum Hours:* 40 a week, with certain exceptions and tolerances. Where specified, overtime draws 1½ times regular rate. *Minimum Wages:* 40c. an hour. Office workers, $15 a week. Equitable adjustment of all wage rates. Women get equal pay for equal work. Reclassification and reduction of hourly rates prohibited. *Other Important Provisions:* Code Authority may establish classifications, dimensional and other standards for industry products. Code Authority to prepare accounting and cost-finding system for use of all members. Lists among unfair trade practices misleading advertising, bribery, secret rebates, etc. Specifies conditions of price guarantees, terms of sale and cash discounts. Contains special definition of purchasers. Provides for the open-price plan, without time-lag.

473. Woven Wood Fabric Shade Industry

By Woven Wood Fabric Shade Association. Code effective July 9, 1934. *Maximum Hours:* 40 a week. Certain exceptions and tolerances. When specified, overtime draws 1½ times regular rate. *Minimum Wages:* Men, 35c. an hour; women, 32½c. an hour. Women get equal pay for equal work. Office workers, $14-$16 a week. Equitable adjustment of all wage rates. Reduction of hourly and weekly rates prohibited. *Other Important Provisions:* Code Authority to prepare accounting and cost-finding system for use of all members. Prohibits inaccurate advertising, substitution, false invoices, bribery, secret rebates. Consignments to be approved by Code Authority. If an emergency exists, adversely affecting small enterprises or other phases of code operation, Code Authority to determine lowest reasonable cost of product involved, and thereafter no member may sell at lower prices. Provides for the open-price plan without time-lag. After filing revised prices, member may not file higher prices within 48 hours.

474. Needlework Industry in Puerto Rico

By the Puerto Rican Needlework Association. Code effective July 19, 1934. *Maximum Hours:* 40 a week. Certain specified exceptions and tolerances. Overtime draws double regular rate. *Minimum Wages:* Homeworkers, $2 a week; factory workers, $3 a week; other employees, $5 a week. *Other Important Provisions:* NRA Administrator to appoint special commission to study rates and effect of code on producers in continental United States working under NRA codes. Contains rules to govern contractors. Provides for registration of all sewing machines and periodical reports on operations, production, homework, wage payments, etc. If destructive price-cutting prevails, Code Authority to determine lowest reasonable cost of products involved, and thereafter no member may sell at less. Numerous other provisions covering practices peculiar to the industry.

475. Yeast Industry

By a code committee of the industry. Code effective July 16, 1934. *Maximum Hours:* 40 a week, with tolerances and exceptions. *Minimum Wages:* Code minimum of 40c. an hour increased by executive order to 45c. an hour. Office workers, $14-$16 a week. Women get equal pay for equal work. When specified, overtime draws 1½ times regular rate. Equitable adjustment of all wage rates. Reclassification and reduction of rates prohibited. Prohibits inaccurate advertising, false billing, bribery, secret rebates, loans to customers, blacklisting, etc.

476. Hatters' Fur Cutting Industry

By Hatters' Fur Cutters Association of the U. S. A. Code effective July 16, 1934. *Maximum Hours:* 40 a week. Certain specified exceptions and tolerances. *Minimum Wages:* 35c. an hour. Office workers, $14 a week. Women get equal pay for equal work. Equitable adjustment of all wage rates. Reclassification and reduction of hourly rates prohibited. *Other Important Provisions:* Code Authority to appoint committee for formulating minimum standards of cleanliness, maintenance of equipment, and other sanitary provisions. Code Authority to prepare uniform terms of sale and appoint industrial relations committee. Lists among unfair trade practices inaccurate advertising, false billing, secret rebates, bribery, etc. Prohibits consignments, excepting shipments for selection and approval to be returned within 3 days.

Code Hearings

Aug. 6—Retail Solid Fuel. Water Supply. Optical Retail. Wholesale Food and Grocery. Retail Food and Grocery. Real Estate Brokerage. Iron Ore Mining.

Aug. 7—Fur Dealing. Gray Iron Foundry. Wholesale Dry Goods. Advertising Agency.

Aug. 8—Carbon Paper and Inked Ribbon.

Aug. 9—Undergarment and Negligee.

Aug. 10—Manufactured Gas. Independent Telephone. Bell System. Wrecking and Salvage. Agricultural Insecticides and Fungicides. Pipe Organ.

477. Public Seating Industry

By the Trade Practice Committee of the industry. Code effective July 23, 1934. *Maximum Hours:* 40c. an hour. Women get equal pay for equal work. Equitable adjustment of all wage rates. Reclassification and reduction of wage rates prohibited. *Other Important Provisions:* Code Authority to establish minimum standards of quality, etc. Provides for the open-price plan (the 10-day time-lag stayed by NRA pending further orders). Specifies certain terms of sale. Code Authority to prepare accounting and cost-finding system for use of all members. If destructive price-cutting prevails, Code Authority to determine lowest reasonable cost of products involved, and thereafter no member may sell at less. Prohibits secret rebates, bribery, etc.

478. Secondary Steel Products Warehousing

By National Association of Distributors of Secondary Steel Products. Code effective July 23, 1934. *Maximum Hours:* 40 a week. Certain specified exceptions and tolerances. When specified, overtime draws 1½ regular rates. *Minimum Wages:* $15 a week. Part-time employees, 40c. an hour. Women get equal pay for equal work. Wage rates as of June 16 to be maintained. Prohibits reclassification. (Hour, wage, and labor provisions of code stayed for 25 days by NRA.) *Other Important Provisions:* Specifies terms of sale and cash discounts, prohibits inaccurate advertising, false billing, secret rebates, bribery, etc.

479. Cold Storage Door Manufacturing

By Cold Storage Door Manufacturers' Council. Code effective July 23, 1934. *Maximum Hours:* 40 a week. Certain specified tolerances and exceptions. When specified, overtime draws 1½ times regular rates. *Minimum Wages:* 40c. an hour. Office workers, $15 a week. Equitable adjustment of all wage rates. Women get equal pay for equal work. Reclassification and reduction of wage rates prohibited. *Other Important Provisions:* Provides for the open-price plan. (10-day time-lag stayed by NRA pending further orders.) Code Authority to define classifications of buyers, to prepare accounting and cost-finding system for use of all members. If destructive price-cutting prevails, Code Authority to determine lowest reasonable cost of products involved, and thereafter no member may sell at less. Prohibits selling below cost, secret rebates, false invoices, inaccurate advertising, bribery, longer-than-1-year guarantees. Specifies terms of sale.

480. Structural Steel and Iron Fabricating

By the American Institute of Steel Construction, Inc. Official code effective July 22, 1934. Covering an extremely complex industry, the code, as finally agreed upon between NRA and representatives of the industry, was an exceptionally complicated document. The NRA Order of Approval lists so many deletions, amendments, additions, etc., that no useful analysis can be provided within the space here available. Those interested should send for official copy. The industry rejected the code, as so altered (*BW—Jul28'34*).

481. Wood Preserving Industry

By members of the industry. Code effective July 30, 1934. *Maximum Hours:* 40 a week. Certain specified exceptions and tolerances. When specified, overtime draws 1½ times regular rate. *Minimum Wages:* 25c. an hour in 11 Southern states and 2 Virginia counties; 28c. in certain other specified territory; 40c. an hour in 3 Pacific coast states excepting 2 counties; balance of territory 35c. an hour. Office workers, $12-$15 a week. Women get equal pay for equal work. Equitable adjustment of all wage rates. Prohibits reclassification and reduction of wage rates. *Other Important Provisions:* Specifies complicated method of electing Code Authority to prevent domination by large interests. Code Authority to prepare accounting and cost-finding system for use of all members. Lists among unfair trade practices secret rebates, bribery, etc.

482. Dental Goods and Equipment Industry and Trade

By the American Dental Trade Association, Dental Manufacturers of America, Dental Dealers of America. Code effective July 16, 1934. *Maximum Hours:* 40 a week, with certain exceptions and tolerances amended by NRA. *Minimum Wages:* Factory workers, 35c. an hour. Others, $12-$15 a week. Messengers, $10 a week. Women get equal pay for equal work. Prohibits reclassification. Equitable adjustment of all pay schedules. *Other Important Provisions:* Prohibits homework. Permits subdivisions of industry and sub-code authorities. Provides for filing of price lists, terms, discounts, etc., to become effective immediately upon filing. Prohibits selling below cost, violation of specified discounts, misleading advertising, bribery, etc. Code Authority to prepare cost-finding system for use by all members. Prescribes instalment terms, methods on special allowances, equipment allowances, etc.

483. Electric Hoist and Monorail Manufacturing Industry

By Electric Hoist Manufacturers Association and Monorail Manufacturers Association. Code effective July 24, 1934. *Maximum Hours:* 40 a week. Certain specified exceptions and tolerances. When specified, overtime draws 1½ times regular rate. *Minimum Wages:* Factory workers, 36c.-40c. an hour, according to size of city. Other employees, $15 a week. Women get equal pay for equal work. Special rules for apprentices. Equitable adjustment of all wage rates. Prohibits reclassification and reduction of wage rates. *Other Important Provisions:* Code Authority to prepare accounting and cost-finding method for use by all members. No uniform additions, percentages or differentials to be prescribed if they result in uniformity of costs. If an emergency exists adversely affecting member enterprises or other phases of code operation, Code Authority to determine lowest reasonable cost of product involved, and thereafter no member may sell at lower prices. Provides for the open-price plan without time-lag. After filing revised prices, members not permitted to file higher prices within 48 hours. Lists unfair trade practices. Prohibits acceptance of used equipment or material as part payment on new equipment. Special trade practice rules for monorail manufacturers.

NOTE—Copies of codes may be obtained from the Superintendent of Documents, Government Printing Office, Washington, D. C., at 5c. each.

Financing Foreign Trade

Washington announces terms for Export-Import Bank financing, pushes reciprocal trade pacts, nears agreement with the Soviets on debts and trade revival.

EIGHTEEN months ago, President Roosevelt declared in his inaugural address, "I shall spare no effort to restore world trade by international economic readjustment, but the emergency at home cannot await on that accomplishment."

This week, with the emergency at home evidently under control, Washington announced probably its key move in the development of a new and broader base for the country's foreign trade. Details for the operation of the Export-Import Bank were announced. At the same time, rumors leaked out of Washington that negotiations with Soviet officials were nearly completed for the settlement of the old Russian debt owed to the United States and that new trade plans, involving the special Export-Import Bank for Russian trade, might soon be announced.

Only Two Banks

When the Export-Import Bank plan was first formulated, there were to be three divisions, one for Russian trade, one for Cuban trade, and one for trade with the rest of the world. In the plan announced this week, the second and third banks have been drawn together to operate as one. Russian business will still be handled separately by the First bank.

The Second EIB, as now set up, can do every banking job, from letters of credit to rediscount, and exporters and importers may apply either direct or through any commercial bank for this governmental financial assistance.

Three kinds of credit will be available: up to 6 months, up to 1 year, up to 5 years, the latter to be called "long-term credits." The latter alone are looked on, at the government bank, as outside the present facilities available to foreign traders, and the plan is so scaled as to bring the commercial banks into the rest of the picture to the greatest extent possible. The bank will collect ¾% over what it pays the RFC for its money (4%) on the first two types of loans, 1% on "long-term" credits.

The credit guarantee plan is brief but clear. It will be given primarily to deals in fabricated articles, and will cover up to 75% of the total credit or net delivered cost, whichever is lower, at the rate of 4% for the first year, and 2% for each year after that. Commercial banks and other financial institutions may participate in this business.

While something of a disappointment to those who expected that the EIB would guarantee their credits out of hand, assure full exchange coverage and take every risk on the customer, the announcement presents a workable plan which will facilitate legitimate foreign trade and guarantee that we get paid for it, which is what George Peek, president of the bank, said was the objective. That there are no longer than 5-year credits is regretted, but it is said among those who have had a great deal to do with the plans for the bank that perhaps this situation can be remedied after the bank has stimulated some revival of foreign trade.

Since the official announcement, there is nothing to prevent immediate functioning of the bank. Washington is now negotiating a new trade agreement with Cuba which is expected to increase United States exports to the island in return for the tariff reduction on Cuban sugar. Definite terms are likely to be announced shortly. Also in advanced stage are negotiations with Colombia and Brazil. In both of these cases, the United States has an unfavorable trade balance so that the question of additional imports is not involved. In New York, it is rumored that negotiations are under way for the sale to Poland of a large volume of raw cotton, under the credit provisions of the bank, but it is not yet known whether the President will in this case waive the provisions of the Johnson Act affecting credits to defaulting nations.

Settlement With Russia

An even larger deal in raw cotton is said to be awaiting settlement of the debt question with the Soviets. Rumors of large Soviet orders have been heard frequently since last November, when the impasse in Soviet-American relations was broken, but the delay in the trade arrangements to meet the provisions of the Johnson Act has caused these orders to be held up. In the first 6 months of this year, Soviet orders placed in this country exceeded $6\frac{1}{2}$ millions, in comparison with $1\frac{1}{2}$ millions in the same period in 1933. Optimists look for \$100 millions of Soviet orders in the first year after trade agreements are signed, but those more familiar with Moscow's insistence on balancing orders against sales feel that the volume of business probably will not exceed \$50 millions. Four years ago, Soviet orders were being placed in this country at the rate of $9\frac{1}{2}$ millions a month. Even in 1931, the volume of this Soviet business exceeded \$4.3 millions a month.

Rockefeller Makes Good

Nobody laughs at Rockefeller Center since the announcement that rentals have gone over and that other units are being built.

In the reigning musical hit of the New York stage, one skit has to do with the Rockefellers, father and son. John D., Jr., attempts to present Rockefeller Center as a birthday gift to his father—who thereupon chases him off the stage with the knife intended for cutting the birthday cake. It is very funny. Now the Rockefellers are enjoying the last laugh, in a subdued, Baptist sort of way.

They have just announced that Rockefeller Center has gone over the top on rentals. If you think they are spoofing, you can join the knot-hole peepers at the north crater of the development and see actual men actually at work on 3 new buildings and a ramp that is to take trucks underground to a vast system of freight passages. The 6 buildings now standing are more than 80% rented. A modest press release says:

"In the early construction stages we estimated that these 6 buildings would be 60% rented by the end of 1934. With the year half over, this figure has been exceeded by 20%." And, "The 6 buildings are . . . on a self-supporting financial basis."

The press has boiled with criticism of the Center. The onward-and-upward boys waxed incoherent when Mr. Rockefeller abolished a Diego Rivera fresco which sought to exalt Lenin. Still raging are the protests against Paul Manship's huge golden Prometheus. Mr. Manship essayed the difficult feat of portraying flight in the sunken plaza where the figure is usually seen from above. It is about as sublime as would be the plight of an angel trapped in a marble quarry.

No Schism on Finance

The uproar was the indirect result of a division in the Rockefeller family, one faction demanding classical, the other modern art. But there was no schism in that astute clan on questions affecting finance. The landscaped roofs and terraces were costly but they glow like gracious oases against the naked masonry of surrounding buildings. They attracted comment—and tenants.

Realtors laughed when they heard that the Rockefellers were going to spend $250 millions on 3 blocks in Manhattan. The project came at the tail of a stratospheric building boom and marched straight into the teeth of the worst of all depressions. The site was distant from the Grand Central with its hordes of Westchesterites, farther still from the Pennsylvania Station with its hordes of Long Islanders, and still farther from the downtown tubes and ferries with their hordes of Jersey commuters. It did not even tap the subways.

Laughs of rival realtors changed to groans when renting got under way. A driving organization (backed by all the pressure Rockefeller interests could bring to bear on prospective tenants) sold the Center for all it was worth. It then developed that there were lots of things to sell. There was distinction, the fact that the units would always be light and breezy, and such added inducements as air conditioning where wanted. The supposed white elephant was putting out his trunk and dragging rentals from all over town. Most of the sufferers took it—after all the Center only used the recognized weapons of a long-standing warfare. But old Mr. August Heckscher got his dander up to the point of suing the Rockefellers for $10 millions (*BW—Jan20'34*).

A Frequent Visitor

The size of the stake (and perhaps the jibes at his venture) held John D. Rockefeller, Jr., close to the project. His New York house is just around the corner. Watchmen have acquired red faces by not recognizing Mr. Rockefeller when he poked into obscure corners at unexpected hours. Here is the latest chuckle of the staff:

Monsieur Henri Charpentier, restaurateur extraordinaire, rented for himself a très chic little spot on the plaza. He put tables outside where patrons could listen to the fountains and marvel at the gosh-awful Prometheus. To this retreat came one noon a quiet man of medium size who asked mildly for a chicken sandwich and a glass of milk. The Gallic servitor was scandalized. His attitude and the attendant glassware let the customer know that this spot was consecrated principally to the fruits of repeal. Seemingly an unimportant incident, it caused quite a stir. For the quiet customer turned out to be John D. Rockefeller, Jr., who was doing a little checking up. Somebody had told him that the Charpentier place was a retreat for lady shoppers wanting light repasts. A factor which Mr. Rockefeller may or may not have considered was that he (or at least the Center corporation) is to open an ambitious café atop the 70-story central tower, and the bistro below is a potential competitor.

Interesting Tenants

Here is proof that the personally-abstemious magnate can be realistic about stimulants. Wine and liquor firms are among his tenants. The same adaptability manifests itself in other leases. Standard has tangled with British oil interests all over the map; yet the offices of Anglo-Persian Oil and of the Shell group are in Rockefeller Center. Despite the erasure of Rivera's Lenin, the organization tried hard to sell the Center to local offices of the Soviet republic.

Naturally, Rockefeller interests lead others in amounts of space used. These include, besides Standard of New Jersey, a multitude of family philanthropies. While rival property owners in

International News

FINANCIAL TALK—Before leaving the boat in New York Montagu Norman (left), governor of the Bank of England, and George L. Harrison (right), governor of the Federal Reserve Bank of New York, exchange last minute remarks.

the Grand Central Zone complained loudest against the competition of the Center, the Wall Street district was hardest hit. The removal of Standard of New Jersey from the historic Rockefeller headquarters at 26 Broadway left large gaps in occupancy there. Also the development drew from downtown such huge tenants as Westinghouse, and General Electric, the latter taking the former R.C.A. building. National Broadcasting joined the general migration to the Center. In its old quarters, spiders build webs in ether that once vibrated to the treacly tones of crooners.

Certainly all this is a dislocation about which nothing can be done under our present system. Every time complainers against Rockefeller put up a new skyscraper they also hurt some other landlord. What worries the protestors more than questions of theoretical economics is the fact that Rockefeller Center has gone over the hump and is continuing with its vast building program. Of the new buildings now in noisy progress, the Fifth Avenue unit is to be the Palazzo d'Italia, completing with the French and English Buildings the international trio. And back of the Palazzo is rising a 38-story office building.

Cool Savings

Strange popularity of leased private refrigerator cars rouses ICC curiosity and leads to a ban.

If you ask for a refrigerator car, the railroad is supposed to supply one without any charge except the freight rate.

It costs $30 to $50 a month to lease a private refrigerator car.

Yet leasing of private refrigerator cars has become very popular during the depression, when shippers presumably have had no money to spend on the mere vanity of seeing their names painted on freight cars.

Contemplating these somewhat contradictory facts, the Interstate Commerce Commission decided they would stand investigating. The result was an order issued this week that will discourage the use of private refrigerator cars hereafter. The railroads made an allowance of so much a mile if the shipper provided his own car. The allowance amounted to a rebate to the shipper, a cut out of railroad revenues that ought to go to earnings.

Conceding that the roads have not enough refrigerator cars of their own at present, the commission suggests they pool what they have, and that they buy the fleets now in private hands. The roads may still accept private cars, but they are forbidden to wink at arrangements whereby the owner turns over the mileage allowance to the lessee.

Business Abroad

Half-year recovery survey reveals striking industrial gains in Scandinavian countries and Canada, modest advances in Germany and Britain, slow deterioration in France and the gold currency countries.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Political uncertainties are frankly blamed for the slowing down of business activity in a number of countries. In some, the trend is more pronounced in recent weeks, but in many European countries it has been developing for months.

Germany, despite the gloomy forecasts of foreigners, has succeeded in advancing industrial activity each month this spring, though the advance has been small in recent months. Poland and Japan have made similar gains, Japan's rate of increase being smaller than in the same period last year in several important lines. Britain's index, issued only quarterly, jumped from 98.6 in December to 102.6 at the end of the first quarter, but the second quarter is expected to show no gain because of increasing uncertainty in recent months.

If these important producers reflect more modest recovery this year, the Scandinavian countries—especially Sweden—are still benefiting from the new recovery impulse. Sweden's production index advanced 10% in the first five months of this year. Canada made an even more striking record of 17.4% in the same period. In Latin America, Chile recorded a large improvement in activity, but production levels had dropped to extreme lows in the worst of the depression.

Gold Bloc Difficulties

As much a matter of concern to the rest of Europe as the gold bloc itself, are the records of declining industrial activity in important member countries. The general index in France declined steadily from 106 in January to 101 in May, and it is expected that June figures will reveal further deterioration. Belgium is experiencing a similar slackening of activity. A growing group in both countries claim it is largely due to the competitive disadvantage in world markets of their gold standard currencies. Deflation has accomplished but little and has brought a wave of labor unrest which has spread now to Holland. Europe feels that devaluation is an inevitable next step in the gold bloc, and is just speculating on the amount. Up to 15% is considered "reasonable" and not likely, necessarily, to upset other currencies. Great devaluation is feared unless preceded by some international stabilization agreement, which few observers expect in the near future.

Canada has registered some of the most striking gains in the first half of 1934. Business operations touched a high in May, dropped off only slightly in June. The business index for the first 6 months averaged 92.3, compared with 72.0 in the same period in 1933.

The Dominion's recovery can be measured in a number of items. Domestic exports in the first half of 1934 registered a gain of 40½% over the same period last year. Government revenues from April through June increased nearly \$17½ millions, while expenditures declined \$3½ millions. An advance of more than 21% in car loadings, compared with the first 6 months of 1933, accounts in part for the better rail earnings this year. Gross earnings in the first 4 months increased from \$74½ millions to \$89½ millions. The employment index jumped from 80.7 in June, 1933, to 96.6 on June 1 of this year. Electric power production was 20% higher in May than at the beginning of the year.

Japanese Production

Despite the depressing effects on Japanese business of the recent domestic political upset, and the mounting barriers abroad against imports from Japan, Japanese industrial production in April touched an all-time high. Data for May and June, when released, are expected to show a slackening of activity. Even the record April figure is only 11% above April, 1933. Coal consumption continues to register large gains, while electric power output has fallen off. Steel output is holding steady at high levels due to large government requirements. The country's exports in the first 5 months of 1934 were 23% greater than in the same period in 1933, but the gain last year over 1932 was more than 40%.

Britain's half-year position is not yet known definitely because much June data are not yet available. Gains in the first quarter will give the half-year records a considerable upward push. June data may pull down the second quarter levels. Net results will be a fair gain. Exports for the 6 months are more than 9% above 1933 levels and slightly above 1932, but gains have not come up to expectations. Foreign sales of motor cars and machinery continue to gain. Cotton piece goods, leather and shoes were in smaller demand abroad this spring. Pig iron production, stimulated by a tariff, increased, and unemployment registered a steady decline until June. The small increase in that month took the British by surprise, caused markets to react, and dampened recent optimism.

Business Lags in France

The French economic position is growing slowly worse. Industrial activity is declining. The textile industry in particular has suffered from the German ban on woolen imports. Mining activity is down, and the construction index dropped from 86 in January to 84 in May. The automobile, paper, and iron and steel industries alone have maintained their rate of activity. The index of security prices stood at 204 in June, compared with 215 in January, and an average of 232 in 1933. Bankruptcies in the first 6 months jumped to 5,365, from a total of 4,804 in the same period in 1933.

Underwood & Underwood

NEW INDIA DAM—The Cauvery Metur project, important Indian irrigation enterprise, nears completion in the Madras presidency. It comprises this big dam and reservoir, and an 88-mile main distribution canal serving the Cauvery river delta.

SUBWAY FOR MOSCOW—The first 11.9 kilometers of Moscow's new subway system are scheduled to be finished and in operation by November, 1934. The system originally will include 10 radial lines (totaling 80.3 kilometers) converging in the center. In face of a machinery shortage much of the heavy work is being done by hand, with shock troops, volunteers, even women participating.

Wide World

Sweden, with a so-called "managed currency" and strong governmental direction, has made some striking gains this year, though the Skandinaviska Kreditaktiebolaget points out that second quarter gains were less marked than is usual for the season. The volume of clearings of the bank in the second quarter, however, was only 13% lower than in 1929 and, if the fall in prices is taken into consideration, was actually larger than that year.

Production in several branches of industry has actually surpassed boom year levels. The production index of the Federation of Swedish Industries, which has been steadily rising since September, 1933, was 11% higher for May this year than the average for 1925-1930, and the figures published by the Board of Social Welfare showed for the first quarter of this year as large a demand for labor as for the same season in 1929 and 1930. For the first five months of this year the export of wood pulp and sulphate paper has been on a record scale, exceeding the export for the same period in 1929 by one-fourth and one-third respectively. Due to better business conditions at home and the resumption of building activities, the output of commercial iron, which at the beginning of the year was on the level of 1929, had risen in May to 50% above that level.

Economic conditions are less favorable in Italy, as in most other gold bloc countries. While production in most lines has increasesd considerably over last year, exports have continued to decline while imports are up. Gold exports have been necessary to support the lira abroad. Unemployment has declined but little.

At midyear, there is considerably less business optimism in most countries than there was a year ago. Europe's political uncertainties are responsible for a large part of the pessimism. Germany's heavy restriction on imports is a strongly adverse factor, for Germany is a major customer of most European countries. The possibility of repercussions on the gold bloc currencies if Berlin formally devalues the mark (now quite generally expected) is another disturbing factor. A new wave of inflation might follow, with, possibly, Washington making the strategic move. New tensions on the Continent contribute to the uncertainty, though few expect war in the immediate future.

Germany

Import restrictions hit recovery plans in other countries. Stock prices rise, despite uncertainties.

BERLIN (*Wireless*)—Politics and political leaders held the limelight this week, though economic pressure is likely now to force the next significant move by Germany.

The embargo on raw materials is increasingly proving to be a handicap to world recovery. The moratorium has as yet failed to ease Germany's financial position materially, so there are no signs of an easing of the restrictions on raw materials imports, despite the pinch they are causing some industries. The move is having its repercussion on neighbors. The French wool combing industry is practically at a standstill since the suspension of German imports, and the London wool auctions have reacted seriously to the lack of German buying.

The Austrian affair caused only a short-lived setback on the securities market, but in spite of the belated conciliatory overtures from Berlin it remains an international danger point.

Despite the slackening of industrial activity, which, in the cotton textile industry, has forced a reduction in working hours, industrial share prices continue to climb. Bonds, however, are weak, due to currency uncertainty.

United States trade is likely to suffer further than was at first anticipated following the final agreement of Berlin with the French and Swiss to put their entire export trade to Germany on a compulsory clearing basis instead of just a sufficient portion to cover interest charges on Dawes and Young bonds. The agreements in both cases guarantee to Germany an export surplus in keeping with past trends, but they reduce the sums likely to be available for payments to countries where the normal trade balance fails to provide adequate exchange for normal transactions.

Great Britain

London admits slackening of activity. Fear of lapse in gold shares. Small confidence that drought-lifted commodity prices will give permanent relief.

LONDON (*Cable*)—Is it a summer lull, or has recovery really halted? Has the heat wave taken the energy out of industry and business, or has the replacement demand of 1933-34 dried up? The official figures can be used to prove the case either way. It is certain, however, that as far as London represents England, there is not the zest in affairs that there was a month or so ago and that for the present hesitancy there is not the excuse of a dramatic Continent.

One thing that is playing a part in the lack of drive is the new fear that something drastic may happen to gold shares. All these markets look overvalued—South African, West African, and Australian—and if by chance the present trouble between the various interests in the East Rand causes an outflow from gold shares, the reactions on the stock exchange may be unpleasant. To support the market there would be liquidation of industrials and a general disturbance of investment confidence. At the moment this is a cloud on the horizon no bigger than a man's hand, but it may grow. It is a factor.

Behind this type of influence is the longer-sighted doubt about basic commodities. The fortunes of weather have given wheat and other commodities an upswing, but no economist or long-sighted man of business regards a temporary upswing of one year as a solution

to world difficulties. The upswing, it is true, may help to educate the consumer into higher prices, but it may equally interfere with schemes of control that might otherwise bring discipline into production chaos.

Again, what is to be the future of currencies? Lombard Street smells trouble. Opinion is divided still upon whether the gold bloc can stay on the metal. Nobody doubts the intention, but many people doubt whether intention is enough. It wasn't in Britain's own case. The factors, visible and invisible, are confusing, the result uncertain.

More Jobless

The dangers of reactions to the Austrian crisis are believed to be slight now, thanks to prompt action by Italy, but the affair has added to the anxiety of business and stock market turnover has been reduced. July trade and unemployment figures are not yet released but London expects an increase of another 3,000 in the number of men without work which is likely to have the bad effect of convincing skeptics that a halt in national recovery has come.

Several developments during the week are worth noting. The Shipbuilders' Securities Trust, grandchild of the Bank of England, is preparing to buy two more shipyards for scrapping. This is a continuation of the policy established several years ago of scrapping redundant yards. Officials report that British transatlantic liners carried, in the first six months of this year, 32,700 of the 75,000 passengers who crossed the Atlantic westbound. Short wheat crops in many countries are expected to provide cargoes for British vessels, from primary producers, but it is recognized as a temporary factor.

Lancashire came into the national picture recently with the official opening of the great Mersey traffic tunnel at Liverpool. The county may be depressed, but it looks a long way forward, and maintains its tradition for transport enterprise. It was Liverpool which gave birth to the first lock-equipped canal, the first steam railway, the first big British ship canal, the earliest conversion of a steam railroad to electricity.

The tunnel is the logical extension of the great East to West highway between Liverpool and Manchester recently laid as a stage in a project to link Wales to Hull (on the East coast) by a first class road for all weights of road vehicle. The consequences of this development are not easy to foresee in detail, but it must mean a quickening of industry in the hitherto depressed areas both East and West. As a sign of the potential attractions of the area to new industries may be quoted the reported intention of certain German textile making-up concerns to use Manchester as a site. Nineteen of these concerns have received permission from the Home Office to set up in business in Britain. They are businesses which have specialized in women's dresses and coats. Their trade both with Britain and the Continent is already extensive, and has not before been worked in England. One of the results of the migration will be an increased demand for fabrics and trimmings from British makers, an absorption of local labor and expanding Lancashire exports, with all that is implied of benefit to auxiliary industries.

France

Industry slack; sentiment depressed; outlook uncertain. Soviet trade develops modestly.

PARIS (*Wireless*)—French markets recovered this week from the shock of the war scare and the threat of a domestic political crisis, both of which seem to be successfully sidetracked for the time being. There is a general lack of confidence, however, which is reflected in the sluggish demand for the new offering of treasury bonds despite the erroneous report in the general press that they yield more than 5%.

The seriousness of the German import embargoes is making a deep impression on the French through the complete, though probably temporary, tieup of the wool combing industry. Following the general recession in industrial activity and smaller export demand, the industrial public is concerned over the outlook. Exports of rayon yarn still show a slight increase, but it is not sufficient to counteract the steadily slackening domestic demand.

Evidence of the apparent futility of government efforts to reduce the country's national deficit by drastic economies came to light with the announcement that the deficit now exceeds 6½ billion francs, compared to an estimated deficit of only 4½ billions. Economies expected to result from salary reductions and administrative reforms have not been realized, and public resentment has been so vigorous it is not likely much more will be accomplished in this direction.

Trade With Moscow

France made a trade agreement with the Soviets as long ago as January, but Parliament ratified the treaty just before the summer recess. First reports of new business resulting from the treaty have recently been released.

France, in the new pact, agreed to admit Soviet imports which come into the country on a quota basis at minimum rates, and to place other imports on a special quota basis. Russia, in return, pledged herself to place a minimum of 250 million francs in orders with French industry within a year from the time the treaty was signed. To finance these orders, on which credit will run up to 22 months, the French are accepting notes from the Soviet trade office in Paris and endorsed by the Russian Oil Products Co., which sells large quantities of oil in France. This oil is purchased by a French syndicate known as Petrofina. Since Petrofina's purchases from the Russians annually total more than 250 million francs, it has been agreed by French bankers that Soviet notes, domiciled with Petrofina and bearing the Petrofina endorsement, will be discounted by French banks. Up to now 145 million francs worth of Soviet orders have been received, most of which have gone to the iron and steel industry.

European

DROUGHT ON THE ELBE—The level of this great German river sank so low that these freighters were held fast. While recent rains broke the prolonged dry spell in Germany and other sections of Europe, much irreparable damage had been done. With a serious shortage threatening his country, Hitler has conscripted certain crops after the fashion of Russia's government.

Canada

Automobile and radio industries make big production gains. Montreal garment workers strike for higher wages, better conditions.

Ottawa—In the general recovery evident in most lines of business in Canada, the automobile and radio industries stand out. Sales of passenger cars, trucks, and buses were up 54% in number and nearly 55% in value in June, compared with the same month a year ago. During the first quarter of the year, production of radio sets amounted to 32,531 with a factory price value of $1,201,000 compared with 9,480 sets with a value of $283,000 for the corresponding period of 1933. Sales of more than 24,000 sets were reported for the period.

Bank debits for the first half of 1934 increased by 17% over the same period of 1933, the figures being $15 billions and $13 billions.

Bearing some relation to the recent parliamentary probe into economic and industrial conditions and no doubt influenced by labor's demands in the United States, a strike of garment makers in Montreal for higher wages and better working conditions involves several thousand union workers. Other allied unions threaten to go out in sympathy.

Despite the feeling in Ottawa for many weeks that the treasury would find it possible to finance fall dollar maturities more cheaply at home than in New York, the Minister of Finance announced this week that a loan of $50 millions had been secured from a syndicate of United States banks headed by the Chase National Bank of New York. Lending rate was 2%, probably the lowest rate in the history of Dominion financing. The loan, which is not being offered to the public, will run for a year.

Latin America

Trade spurt expected to follow opening of EIB and signing of new trade pacts. Chile gets German orders for farm products.

Since Washington announced the details of operation of the Second Export-Import Bank (page 25), which will handle business not only with Cuba but with the rest of the world, executives in both the United States and Latin America are watching for first deals to be transacted by the bank. The new United States treaty with Cuba is expected to be announced any day, and trade agreements with several South American countries are known to be pending. It is known that Cuban merchants are allowing stocks to run to record lows because of their desire to make no large commitments until the terms of the new agreement are revealed. With this volume of pent-up business, there is likely to be a buying spurt as soon as the new agreements are signed.

Business in Mexico slumped in July because of the rainy season. The shoe and textile industries were most affected by lower demand, but the iron and steel industry continued to work at capacity.

During July, business in Brazil in general maintained the gains made in the months immediately preceding. The volume of wholesale and retail turnover in Rio and Sao Paulo was substantially above the levels of a year ago, and slightly better than in June. Demand from interior points remained satisfactory and collections were good.

The economic outlook in Chile during July continued to be favorable and although there was no seasonal slackening of sales, manufacturing continued active in anticipation of spring demand. Agricultural products have been in heavy demand, and prices have improved. Although the outlook is good, the business curve is not expected to show as rapid an increase as occurred in the first half of the year.

The announcement that Chile has been granted a quota of 1.1 million tons of nitrate by the international cartel should allow a moderate increase in production with a consequent improvement in conditions in the northern area, which in turn is expected to create a demand for domestic agricultural products.

During the last three weeks there has been a heavy demand from Germany for agricultural products. Prices are up.

Far East

Russo-Japanese railroad negotiations deadlocked. Dutch demand Japanese trade concessions at Batavia. China buys automobiles.

The Far Eastern business outlook changed but little this week. Two developments stood out in Japan. One was the newest deadlock in the negotiations with Russia for the purchase by Manchukuo of the Chinese Eastern Railroad. Timed to come almost at the moment when the Austrian crisis threatened to precipitate trouble in Europe which would worry Russia as far as her western frontier is concerned, it emphasizes the part strategy plays in all international bargaining. The other was admission from Tokyo that trade talks with the Dutch at Batavia were making little progress, probably because Holland was unwilling to lift quotas without genuine concessions from the Japanese who threaten to gobble up Holland's colonial markets.

Japanese stocks have recovered slightly from the slump which followed the recent political shakeup, but bonds are still soft, and commodity prices are off.

Chinese business is little changed though prices for foodstuffs are rising as reports of flood damage reach market centers. Although the foreign trade of Shanghai for the first half of this year declined, compared with the same period in 1933, imports of such American products as leaf tobacco and automotive products increased considerably.

Money and the Markets

Drop on security markets halted by calming news from abroad, improvement in domestic conditions, a gradual restoration of confidence. Lower yields of new federal guaranteed issues point to a resumption of an upward bond trend. SEC prepares to register exchanges.

Money and Banking

SENSING the approaching storm that eroded stock and bond values, reporting member banks reduced both loans and investments during the week ended July 25. The cut was effected by lowering loans on securities and holdings of U. S. governments. Other loans and other security holdings were increased. Action by the Treasury served to lift demand deposits and reserves, raise excess reserves to another new high.

The drop in U. S. government securities held was relatively small, amounting to $16 millions out of a total of $6,671 millions in their portfolios. It was significant only because of the rumors now circulating through Wall Street that banks were becoming frozen with federals and had started to unload. Banks in the New York district, it is true, took the lead in the selling movement, disposed of $19 millions of governments out of total holdings of $3,100 millions. But it was a general liquidating movement on the part of these banks, which also sold $6 millions of other securities, and was not aimed particularly at the federals.

There is a suspicion abroad that the freezing and dumping rumors were wishful thinking on the part of old dealers who figured that a strike by the banks might hold down government expenditures. Banks, as a whole, form the largest market of the Treasury. All member banks held more than one-third of the total interest-bearing debt of the federal government, according to the Mar. 5 report, and the proportion would be increased with the inclusion of holdings by savings and other non-member banks. Any concerted disinclination to subscribe to new issues would make it more difficult for the Treasury to finance the recovery drive, but such an action is almost unthinkable.

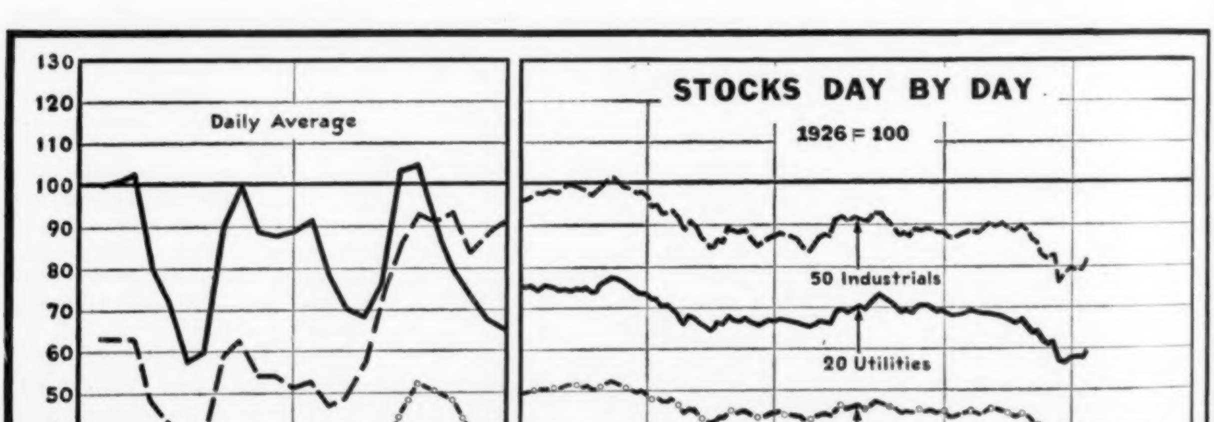
While banks do not like to see expenditures and taxes mount, they realize the need for continued federal spending until private spending can increase to take up the slack. From the standpoint of the common good, they can see that the expenditures must continue for a time at least. From their own standpoint, the banks—as holders of so large a proportion of the debt—must protect the market and not build paper losses by dumping. This, incidentally, is the main danger that the banks run through their ownership of federals. There is no fear of freezing in the accepted sense of the word as this paper is always discountable at the Reserve Banks.

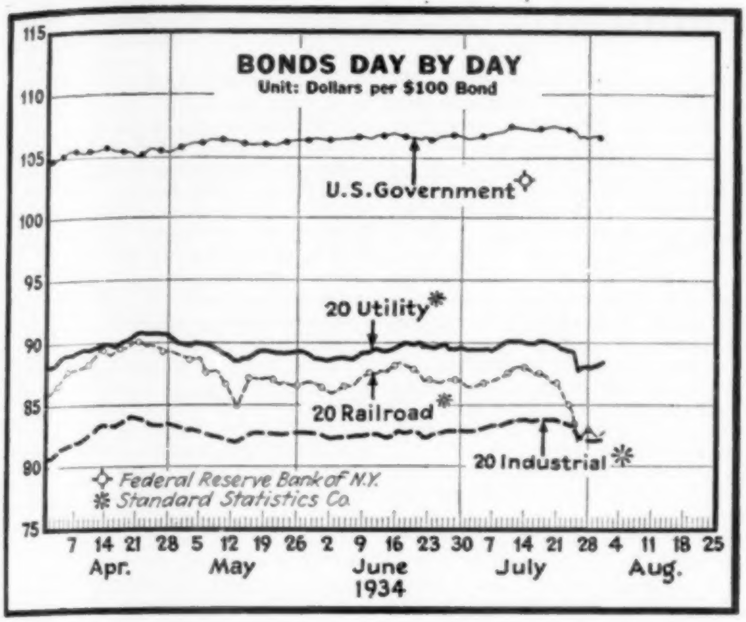
The drop in loans on securities, cut by $30 millions by the reporting member banks in the New York district, illustrates how closely these banks are following the market, how strict their margin requirements have become. The increase in "all other" loans—largely commercial—which rose by $10 millions in the New York district, reflected an improvement in business conditions entirely overlooked by pessimistic stock traders.

That mutual savings banks have shared with commercial banks in the expansion of deposits was revealed in an announcement made this week by Philip A. Benson, president of the National Association of Mutual Savings Banks. In the first half of this year, according to the announcement, deposits in these banks rose by $125.7 millions to a total of $9.7 billions. Even more gratifying was the increase in the number of depositors. The gain during the first half year was 273,898, lifting the total of depositors on June 30 to 13.7 millions, the greatest number ever recorded since the system was started over 100 years ago.

Bonds

THE wave of liquidation that swept over the bond market receded this week and prices exhibited a tendency to rise. But the advance, puny compared to the preceding week's decline, suggested a weakened condition of the market, a condition not fully measured by current quotations as trades are still being made





at figures below those posted. This, it is believed in Wall Street, will not continue for any extended time. Support by the Treasury and by private institutions will soon mop up the bonds pressing for sale and prepare the foundation for a new upward trend. The underlying situation has not been changed although the drop may have served to make buyers more cautious.

The reason Wall Street looks so confidently for support is the nearness of the September-October Treasury financing and the realization by the Administration that true recovery may be brought to the durable goods industries only by a resumption of private underwriting of corporate securities. This support, it is expected, will first drive up the prices for federal issues, with other high-grade bonds and speculative bonds following closely behind. Thus, the movement toward lower yields for all classes of obligations will be continued with only slight interruption.

Bond Yields Drop

The drop in the coupon rate of Home Owners' Loan Corp. bonds from 3% to 2¾% and the successful placement of the $100 millions Federal Farm Mortgage Corp. 3's at a premium are straws in the wind. Total subscriptions to the Farm Mortgage issue, the first Treasury offering where tenders were invited, were nearly double the amount for sale. Of the tenders, the Treasury accepted $100,260,300 at prices ranging from 102.250 down to 100.438. At the average figure for the accepted tenders, 100.559, the Corporation received a total premium of $560,697. The average yield at this figure is 2.92% to the earliest call date, May 15, 1944, and 2.95% to maturity, May 15, 1949.

An interesting feature of the Farm Mortgage sale is that a large part of the proceeds will be used to repay advances made by the Treasury and the RFC. This will in effect reduce the public debt by the $100 millions since the new mortgage bonds are not government bonds, although guaranteed, principal and interest, by the government. This type of "on the cuff" financing is likely to be very much expanded in the near future. Congress has passed laws that would permit the issuance by emergency agencies of a total of $8 billions of securities that would be guaranteed by the government but not considered as part of the government's debt.

Stocks

Stocks recovered this week after the drastic shakeup of the two weeks preceding. Calming news from central Europe and encouraging earnings reports reinforced the opinions of those traders who held that the outlook had been painted entirely too black. In fact, volatile Wall Street seems on the brink of swinging as bullish tomorrow as it was bearish yesterday. Some far-seeing observers are already predicting that in spite of anticipated fluctuations in the market, good income-paying stocks will eventually sell to yield 3% to 3½%.

Reports circulating through the Street that pool selling started the break may largely be discounted. The best opinion is that the pools had nothing to do with it. Rather it is believed that the news from Europe was of a character to cause just what happened. Security markets in other countries behaved in similar fashion and, while foreigners were buyers rather than sellers on balance on our markets, seeking comparative safety for their funds, the same influences were at work here to undermine confidence, prompt the liquidation of long lines. Memories of 20 years ago when the New York Stock Exchange, after a tumultuous session, closed on July 30, 1914, not to reopen until mid-December of that year, were still in the minds of the older traders. They had no wish to be caught now as they were then.

Rumors of pool investigation by the Securities and Exchange Commission also turned out to be premature. This part of the law has not become effective as yet and it has been learned that the commission has given no consideration to such investigation. Judging from appearances, the commission will be slow to start investigations of this type even after the effective date, Oct. 1, 1934. There are, it seems, many more important things for the commission to do during the next few months.

Registering Exchanges

At present the SEC is busily engaged in formulating rules for the registration of exchanges. Section 6 of the act, which provides for this registration, becomes effective Sept. 1, giving the commission a little less than a month to perfect its plans. Principal discussion now rages around the interpretation of paragraph (*b*) of that section which says: "No registration shall be granted or remain in force unless the rules of the exchange included provision for the expulsion, suspension, or disciplining of a member for conduct or proceeding inconsistent with just and equitable principles of trade." Commissioner Pecora does not believe that the rules of the New York Stock Exchange are strict enough in this regard, particularly in view of his opinion of what constitutes just and equitable principles of trade. Representatives of the Exchange think that they are. Chairman Kennedy is pouring oil on the waters. It is understood that the commission has completed its draft of the registration form and that copies will be mailed to the exchanges next week.

It has been suggested that the commission would be most helpful to the investing public if it would look into certain situations and make an official finding. It is not expected that the SEC will ever constitute itself as an advisory body, but it would be within its province to check rumors and propaganda that cause losses to investors every year. Just now, for example, the railroad stocks are showing much less recuperative power than the other groups of stocks. In part, this is due to the drought which will reduce shipments of agricultural products. In part, it is due to the increase in costs that the roads face through the advance in wages, the necessity of making pension payments, and the higher prices of commodities.

Costs and Revenue

These higher costs, according to the Association of Railway Executives, will amount to about $357 millions a year, a sum that would cut deeply into net income. But certain of the financial services believe that this estimate is far too high. They point out that the increases were calculated from the bottom of the depression, that some of the higher expenses have been in force since the start of 1934 and have been more than offset by expanding revenues, that the expected upturn in general trade will further stimulate carrier revenues this fall. If the carriers, in order to make a better case, have exaggerated conditions, investors in railroad securities should be supplied with that information.

Commodity Markets

Drought continued to dominate the grains and livestock. Blanket orders were issued by the AAA permitting wheat and other small grains to be sown on any land covered by the corn-hog contracts, including rented or contracted acres. Another order modified the restrictions of signers of the corn-hog program for purchasing feeder pigs. Under the terms of the original contract producers could not buy more than the number of feeder pigs bought in 1932-33. Since many contracted feeders could not produce even the new reduced quota because of feed shortage, all buying restrictions on those that have feed have been removed in order to create a market for the feedless pigs.

Wheat prices have moved up about 3¢, with July contracts closing at 99⅛. September wheat is up 5¢ to $1.03. Cash corn has reached 70¢, and July corn is selling at 68¼¢. Heavy marketing continues to hold hogs down. Steer prices are unchanged. Hide prices continue to drop sharply, with nearby deliveries around 6½¢, the lowest since March, 1933. Packers and tanners are still wistfully looking to AAA to do something for hides.

Cotton Prices Advance

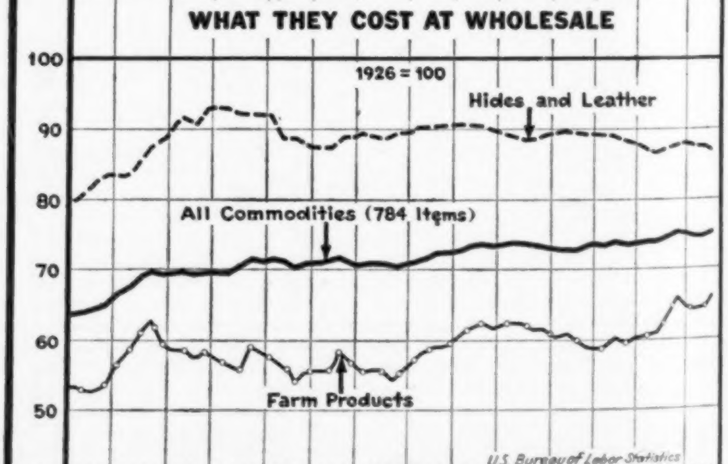
Cotton prices have been rising, with all deliveries above 13¢. The first estimate of the size of the cotton crop by the Crop Reporting Board will be made during the coming week (Aug. 8). Present indications are that the crop will be considerably less than the 10,400,000 bales permitted by the Bankhead Act.

Of course, some of the growers will produce more than their quotas, and others, because of adverse weather conditions coupled with acreage reduction, will be far below their quota. Under these conditions, the AAA, if it follows the law, will be forced to tax excess producers even though the gross crop does not exceed the amount stipulated in the Bankhead Act. There is talk in official Washington of permitting farmers who are under the quota to sell their certificates for the extra amount to producers who are above the quota. This would make these certificates a financial instrument which would be worth almost half of the market price of cotton.

No Dumping Allowed

Last year, the AAA persuaded thousands of farmers who had options on small lots of government cotton, in return for contracts to plow up one-third of their crop, many of them 3 to 10 bales, to form a pool which totalled 1,950,000 bales. The farmers received a 10¢-a-lb. loan on this cotton from the Commodity Credit Corp., and agreed not to sell this cotton before July 31 unless the price reached 15¢ or more. Another lot of 2 million bales of cotton is in the hands of the government, on which loans of 10¢ a lb. have been made, but which can be withdrawn at any time by the holders. Because it was assumed that these 3.9 million bales would come onto the market after August, cotton prices were unsettled in the last week of July, but recovered stability when assurances were given by AAA officials that this cotton will not be dumped on the market.

The advance of wholesale prices continues to filter to retail food prices, which again advanced fractionally in the first 2 weeks of July, and are now at the highest point in 30 months. In the past 2 weeks cereals increased most, then came sugar, coffee, tea and vegetables. Steaks, meats and eggs are higher, but dairy products showed a slight decline. Living in New York is 0.5% cheaper in the last two weeks, and the Chicago housewife also pays less for food, but prices in most cities advanced, with the sharpest advance in Dallas, of 3.3%.



Editorially Speaking—

THE letting of a contract for installation of the world's largest air-conditioning system in the Robinson Deep mine, near Johannesburg, South Africa, is thought by many to presage accelerated world gold production. Activities at great depths heretofore have been seriously curtailed by intense heat (100 to 120 degrees F.), and almost saturated atmosphere. With air conditioning, pay workings can be followed to much greater depths than previously feasible. When the Robinson mine contract is completed the two deepest mines in the world (both having over 1.5 miles vertical depth) will be air-conditioned. The other mine, also a gold producer, is the Morro Velho in Brazil. The Robinson mine installation will be made by the Carrier Corp., a New Jersey company, will cost about $500,000, have a cooling capacity equal to 2,000 tons of ice—greater than that in the RCA building in New York's Rockefeller Center, which is the largest conditioning job to date.

THE farmer is easing his labors by resorting to electric power. During the first five months of this year 10,000 farms were added to those so served, making the total 724,567. But public utility companies still have a fertile field in that direction, since the total is only 11½% of the farms of the country. New Hampshire leads in electrification, with 61.3% of its rural homes wired. Fifteen states have more than a 25% representation.

MORE Chicagoans are vacationing this year. Passenger boats plying between the Illinois metropolis and Michigan resorts have their freight decks packed high with baggage, one of the surest signs of the summer exodus.

IN the haze of heat, the Administration's project to plant a shelter belt of trees 1,000 miles long appeared like a mirage. Bisecting the Great Plains from the Canadian border to the Oklahoma panhandle, the $75-million project has aroused hot debate. Now you see it, now you don't. The stupendous undertaking is described as fantastic, absurd; likewise as a demonstration of human resourcefulness that will become a haven of refuge for man, bird, and beast—an oasis that will keep green the memory of President Roosevelt as a public benefactor long after he has passed on. Many reserve judgment, content to wait and see whether trees will grow where they never grew before.

THE United States imported 73% more perfume and flavoring products the first 5 months of this year than in the same period of 1933. And that might be considered an index to the economic improvement of the country, thinks Chief C. C. Concannon of the Commerce Department's Chemical Division. An impoverished populace doesn't hand much money over perfume counters.

UNCLE SAM is taking a dive into the rum business—down at St. Croix, Virgin Islands. Prostrated by prohibition, the Islands' first industry, rum making, is to flower again under a blessing of $1 million from Mr. Ickes' PWA, which will capitalize the Virgin Islands Co. President Roosevelt, one of whose ancestors had a hand in rum too, is in harmony with the plan.

RESIDENTIAL customers of the Hartford (Conn.) Electric Light Co. no longer will be billed for electricity on the basis of the areas of their homes plus energy consumption. The plan was dropped Aug. 1. The use of home area as a yardstick of power demand has been sustained in many courts in this country, but it has long been a target of popular and political opposition. At times gangling homes which did not consume electricity in proportion to their size have received relatively large bills. In Hartford's new rate structure demand may be determined at the customer's option, either by measurement, socket and appliance count, or by calculation.

EXPERIENCE proves conservative fertilizer estimates were right, super-optimists wrong. Deceived by earlier than usual sales last winter (*BW—Feb24-'34*), some predicted doubling of fertilizer consumption this year. The fact is that shipments increased barely 10%. Production was advanced by optimistic manufacturers to a greater degree. Result: Total stocks at the end of the shipping season are almost 60% above a year ago.

BETTER times are resulting in more bachelors' hearkening to the mating call, a Metropolitan Life Insurance Co. bulletin indicates. The marriage rate bounced up a total of 4.3% last year in 21 states, contrasted with an average annual drop of 7.5% from 1929 to 1932. And a further increase is indicated in the fore part of 1934. Says the fatherly Metropolitan: "It would appear that the trend has been definitely reversed and that a sizable proportion of the two million young men and women who postponed marriage during the difficult days of the depression are plucking up courage and getting married as young people should."

BUSINESS WEEK

The Journal of Business News and Interpretation

AUGUST 4, 1934

More Strikes

Strife between employers and workmen shows no sign at all of diminishing. Important strikes, as on the Pacific coast, do come to a close, but only to be succeeded by fresh outbreaks and the threat of even worse to come.

We are told over and over that this is characteristic of the recovery period after a depression, as if to say that it is all inevitable, and therefore nothing need be done about it. Well, it is inevitable that labor should, after 4 or 5 years of privation, fight aggressively for better conditions. It would be likely to get less than its dues unless it pressed demands. It is equally certain it will usually demand more than its just share. So we may grant that disputes over wages and hours are inevitable. But honest disputes over labor's rewards are not the kind that have filled streets with rioters and with troops.

The bad strikes have not been inevitable at all, and several very specific things need to be done about it.

Because it is typical, not because it is big, consider the strike on the new tunnel which is to link New York and New Jersey. For 3 years, employment has been low in the construction industry. It still is low, and especially in heavy construction. A good job ought to be welcome. The tunnel workers have good hours and wages—PWA hours and wages, in fact. Yet they strike.

The contractor says that the strike began without notice or demand, and that the strikers since then have made no demands and have not tried to negotiate an agreement. A union representative says that the strike is a protest against the employment of non-union laborers on the job. So the issue appears to be compulsory unionization, with the usual symptoms of regimentation by organizers and threats of a sympathetic general strike.

Two facts emerge prominently. One is that the extensive new rights granted to labor by the Recovery Act do not include the right to compulsory unionization or the right to deprive non-union men of work. The second is that the course of the NRA officials in dealing with labor relations has been such as to mislead labor into believing that it was given this right and is entitled to fight for it. A third fact ought to be noted with these: namely that in many of the recent strikes the majority of workers desired to stay at work but were either tricked or intimidated by the minority.

To bring this strike fever to an end is as important to the workers as to industry and consumer. It is at present the most critical essential to continuation of the recovery process. Construction in particular ought to guard itself against the strike habit so that it may continue to perform its essential service of stimulating general recovery of business and industry.

But it is unlikely that the NRA will accomplish this essential result; at present the Johnsons, the Wagners, and the Perkinses are making the labor confusion worse confounded every day. Nor does the American Federation of Labor promise to be of help. Its officers have shown neither the understanding nor the will to work for industrial peace; in the face of the strike battles of recent months their officers remained most often supine and helpless, when they did not aggravate the conflict.

If the present labor difficulties are to be ended it will come about through steady and sensible firmness on the part of the sound majority of labor, working in harmony with the employers, who also in the large majority are seeking for stable and mutually advantageous labor relations.

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